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SAUDI ARABIA AND THE GULF STATES

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Internal Stability in Saudi Arabia

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Introductory Remarks

Saudi Arabia, like the other five member states of the Gulf Cooperation Council (GCC), has shown a remarkable degree of stability. Yet, in spite of this stability, all these states will face several serious challenges in the next decade. This presentation will focus on a few important challenges which Saudi Arabia will have to address if it hopes to move into the 21st century as a stable state.

In building their political societies, leaders of the new states began to face new challenges and demands for political reform. The transformation of these societies into modern, viable political entities has centered around one main question: if political development is to be an evolutionary process, at what rate of change should this process proceed in order to transform the society, yet avoid revolution? In other words, could traditional tribalism gradually change into a functional political system without being destroyed by its own contradictions? Is the tribal system of rule, which is simply based on a one-man government supported by a ruling family, capable of transforming itself from within into a modern system of government which can accommodate unprecedented popular demands for a more open government? Can the tribal/Islamic principle of shura, the basis of family rule in the shaykhdoms for centuries, reconcile itself to the introduction of new partners into the decision-making process without totally undermining the, heretofore, unquestioned authority of the ruler? For the most part, the rulers of the Gulf Arab states have answered these questions in the affirmative. The fact that these regimes have survived, one might argue, is a confirmation of their ability to establish modern functioning polities in the context of tribal traditionalism.

Saudi Arabia is a conservative Muslim monarchy ruled by a powerful king whose authority derives from a large, closely knit royal family (Al Saud), an influential group of religious scholars (ulama), wealthy merchants, senior government officials, and tribal support as expressed by the allegiance of powerful tribal chiefs (shaykhs) throughout the land. The constitutional basis of government is lodged in Islamic law (sharia). The two primary supports of the sharia are the Sunna, or traditions, and the Hadith, or the sayings and actions of the Prophet Muhammad. Saudi religious

conservatism and support for a strict adherence to the faith are based on the Wahhabi movement, founded by the 18th-century religious reformer Muhammad Abd al-Wahhab in the heart of the Arabian Peninsula.

The jolting transformation in the 1970s from a terra incognita, as far as the international community was concerned, to world prominence has placed Saudi society, with all of its traditions and institutions, under scrutiny--an uncomfortable condition for any society. It is a situation which Saudi rulers cannot wish away and to which they have adjusted successfully. As a result of this international prominence, the connection between Saudi Arabia's internal political system and the country's regional and international foreign policy has come into sharp focus. There is also the pressure brought to bear by systemic social change, occasioned by new wealth and a growing middle class.

Although the Saudi monarchy occupies the apex of political authority and although no legislature exists in the country, the Saudi political system has shown a remarkable ability to survive in the last half century. Indeed, the system has survived four changes of monarch since the early 1950s; it is as if the centralized political system has transcended the personality of the leader. The royal family and other influential actors in the polity (civil servants, military officers, business families, and the intelligentsia) have shown unswerving commitment to preserving the state. Several factors have contributed to this stability: 1) enormous oil-generated wealth and the widespread distribution of this wealth in the society; 2) the size and the ubiquity of the royal family; 3) large expenditures on the armed forces and the corresponding rise of a satisfied cadre of military officers; 4) the presence of a massive infrastructure in commerce, industry, agriculture, transportation, communication and other public services; 5) the ability of the Saudi polity to adapt to changing social, economic, and political conditions and demands; 6) the rapid rise of Saudi Arabia as an influential actor in the Gulf, in the Arab/Islamic world and in the world community; 7) the relatively small indigenous population and the dispersal of the population throughout Saudi territory; 8) the Iran-Iraq war and the determination of Saudi Arabia to maintain national unity in the face of the perceived

Iranian threat; and 9) Iran's failure to win the war militarily and the receding tide of Iranian-supported, Shia-oriented Islamic fundamentalism.

The Saudi political system has passed through major changes in the last three decades. In the formative decade of the 1960s, the Saudi leadership, particularly the late King Faisal, laid the broad outlines and philosophical/ideological underpinnings of the modern Saudi state. The booming 1970s brought about the establishment of a technocratic public administration which embraced a comprehensive public policy of growth. The sober 1980s have witnessed adaptation and readjustment. In 1988, 56 years after the founding of the Kingdom, the Saudi state is a stable political entity with great, but not infinite, resources. The leadership has entered a phase a reassessment, recognizing the finite nature of oil and oil revenues.

Perhaps the most basic characteristic of the Saudi system is its remarkable stability--a result of consciously balanced and carefully supported tribal traditions, religious influence, family power, and, of course, oil wealth. This combination is the heart of traditional political dynamics in Saudi Arabia.

This stability has been demonstrated several times since the death of the founder of the kingdom in 1953. Four accessions to the throne have occurred, as the following table indicates.

Table 1
Accession to the Throne in Saudi Arabia

<u>King</u>	<u>Reign</u>	<u>Comment</u>
Abd al-Aziz Al Saud	1932-1953	Died
Saud ibn Abd al-Aziz	1953-1964	Deposed
Faisal ibn Abd al-Aziz	1964-1975	Assassinated
Khalid ibn Abd al-Aziz	1975-1982	Died
Fahd ibn Abd al-Aziz	1982-	

In recent years, however, new factors have begun to disturb this equilibrium. Among them are: the new wealth, sprawling urban centers, the developing middle class, the growing numbers of the educated, the technocratic elite, the rapidly arming national guard with its elitist officer class, and the uniquely wealthy, foreign-educated, and potentially powerful class of royal princes. These elements have begun to challenge the country's political traditionalism. In coming years Saudi politics will be put under strong pressure by several emerging dichotomies: traditionalism versus modernity, tribalism versus urbanism, Islamic Wahhabi social rigidity versus secular mobility, family autocracy versus participatory government, and customary tribal rules of conduct versus written legal regulations. The durability of the Saudi political system will be determined by the reconciliation of these dichotomies. Outcomes are not difficult to envision, and regardless of the ultimate results, the royal family must take cognizance of these new forces, powerful urges which cannot be contained easily within the traditional Saudi system of tribal and family loyalties.

Challenges

In the 1970s and 1980s Saudi Arabia and the other GCC states have experienced economic expansion and political stability. The building of massive physical infrastructures kept most of the population, particularly the political stratum, occupied. However, as these states head into the 1990s, the shrinking oil revenues, the competition for government contracts and jobs, and the return of thousands of indigenous university graduates from abroad will begin to put pressures on the political structures of these societies. New challenges will emerge, which, if not addressed adequately, might underscore the fragility of the Gulf Arab polities and threaten their existence. Among the challenges facing Saudi Arabia and the other GCC states in the coming years, five are identified in this presentation.

Role of the ruling family. With the advent of independence, the GCC states embarked on building modern political and social infrastructures. Although much progress has been achieved, authority has remained strongly vested in the person

of the ruler and his family. In other words, the founding of modern polities has not eliminated the tribal source of legitimacy. Although each one of the constitutions promulgated in Kuwait, Qatar, Bahrain, and the United Arab Emirates makes it clear that the state is "democratic," popular elections have been held in only two: Kuwait and Bahrain. It should be remembered that the ruler's accession to power is not a matter of popular decision. Usually the inner councils of the ruling family decide who the heir apparent or crown prince should be and ultimately who should rule. Members of the ruling family in each state occupy the most important cabinet posts and other high government positions. In this ruling process, the families who are not members of the ruling family are usually prosperous merchants, since commerce has long been a respected occupation in the region.

Concurrent with this tribal approach to government, the 1970s witnessed the advent of secular constitutionalism in some Gulf states. However, one must be careful not to compare this peculiarly Gulf venture into democracy to any specific democratic form of government in the West. The process of transformation from classical tribalism into an urban and affluent form of tribalism is a very delicate one, employing a gradual and evolutionary method of political reform. In Saudi Arabia, no secular constitution has been written; the royal family still reigns supreme.

The Saudi monarchy has displayed several marked characteristics. First, the royal family still wields unquestioned power in shaping state policy. Second, the royal family has displayed a high degree of loyalty, cohesiveness and political acumen. Although the ruling family numbers in the thousands, the country's actual governing in terms of wealth, power and influence rests with a handful of brothers and half-brothers, all of whom are the sons of King Abd al-Aziz Al Saud. The Saudi monarch performs four principal tasks simultaneously: head of state, supreme religious leader, supreme tribal chief, and custodian of the holy places (Khadim al-Haramayn).

The most powerful of the brothers in recent years have been nine: seven full brothers (the "Seven Sudayris"), and two half brothers. Among themselves, the brothers in essence have charge of the entire country. Two of the nine have died:

King Faisal (assassinated in 1975) and King Khalid (died in 1982). As of 1988, the influential brothers and nephews occupy the positions listed in the following table.

Table 2
Saudi Royal Family and Government Positions

<u>Name</u>	<u>Position</u>
Fahd ibn Abd al-Aziz	King and Prime Minister
Abdallah ibn Abd al-Aziz	First Deputy Prime Minister, Crown Prince, Commander of the National Guard
Sultan ibn Abd al-Aziz	Second Deputy Prime Minister and Minister of Defense and Aviation
Nayif ibn Abd al-Aziz	Minister of the Interior
Mutib ibn Abd al-Aziz	Minister of Public Works and Housing
Saud al-Faisal ibn Abd al-Aziz	Minister of Foreign Affairs
Majid ibn Abd al-Aziz	Governor of Mecca *
Abd al-Majid ibn Abd al-Aziz	Governor of Medina
Salman ibn Abd al-Aziz	Governor of Riyadh
Muhammad ibn Fahd ibn Abd al-Aziz	Governor of Eastern Province
Faisal ibn Fahd ibn Abd al-Aziz	President of Youth Welfare
Ahmad ibn Abd al-Aziz	Deputy Minister of the Interior

* Governors have ministerial rank.

The royal family has come to include a new and highly influential generation of young Saudi princes who are foreign-educated (mostly in the West) and well-traveled. These princes are the sons and nephews of the brothers and uncles who have ruled Saudi Arabia for two generations, and technically they belong to the royal family or

the upper-class. Yet their secular orientation, attitudes on modernization, perceptions of nation-building in the country, national consciousness, advanced education, and technical training have made them more attuned to the hopes and aspirations of the new middle class, which might be different from those of the royal family. These princes find themselves in the unique position of being able to exercise influence through three channels simultaneously: the royal family, the formal bureaucracy, and the new middle class. As a special group and a unique elite within the new generation of Saudis, this group will have a strong impact on the future course of Saudi politics.

The absence of organized political activity in the country, the sparsely distributed population and the nature of the country's terrain make it extremely difficult, at least in the foreseeable future, for any major political upheaval or revolution to occur in Saudi Arabia. Any political changes or socio-political reforms will be affected by the royal family and not necessarily as a result of popular demands. It is in the planning and execution of social and political reforms that the new group of princes, and through them the new middle class, will play a crucial role. Societal harmony in a modern Saudi Arabia will depend very much on the ability of the new princes to synthesize modern education and Arabia's traditionism.

Role of the New Middle Class. Whether it is called a middle class, a new middle class, or a technocratic elite, a different social stratum is developing in Saudi Arabia. Recent studies have attributed the rise of this new group to education, wealth, urban entrepreneurship, technocracy, managerial bureaucracy, and, of course, the armed services officer corps. The nature, composition, training, background, and demands of the class will have a significant impact on the future direction of Saudi Arabia as a political community. It is safe to assume that the traditional nature of Saudi society and the stable relationship between the monarchy and its subjects will be affected by the influence of the middle class within the Saudi polity.

Oil revenues and the expanding educational base have combined to create a new and diverse stratum of professionals, managers, administrators, adequately trained

teachers, lawyers, army officers, pilots, skilled workers, electronics engineers and technicians, planners, corporate managers, and systems analysts. The common characteristic of this class is its occupational foundation. It perceives itself and is perceived by others in terms of the functions it performs and the unquestioned need for these functions in the building of a modern state.

The specialized training which members of this class have acquired to qualify for these occupations bestows upon them special privileges; influence flows naturally from this privileged position and is based solely on the functions performed--an unprecedented phenomenon in a traditional society. Familial and other contacts, traditional prerequisites for acquiring an influential position, are less important in the new middle class. Training, expertise and competence, not family background or tribal extraction, are the source of the new influence. This can be a shattering experience in a traditional society thrown, almost unwittingly, into the massive complexities of modernization.

The new middle class exercises its authority through the ministerial positions and other high bureaucratic offices its members hold. Since no political parties exist in Saudi Arabia and since politics still remains the prerogative of the royal family through the person of the king, the new middle class exercises its influence more in economic policy-making than in the political sphere. Constitutional questions, indeed all major political questions, are the affair of the royal family.

In sum, the new middle class, although numerically small, has succeeded in penetrating the higher echelons of the governmental structure. Positive contributions have been made by this class to the process of modernization in the country, and there is no reason why this contribution should not continue. However, the contribution could be enhanced if the influence of the new middle class were extended to the political sphere. For this to happen, this class must be brought into the political decision-making process.

Role of Religious and Traditionalist Leadership. Religious influence is yet another powerful characteristic of the Saudi socio-political system. The influence of the religious leaders (ulama) was demonstrated dramatically in recent history during the succession of the late King Faisal. During the power struggle between King Saud and his brother Faisal in March 1964, the grand mufti, head of the ulama, issued a religious legal proclamation (fatwa) supporting Faisal against Saud. The fatwa essentially endorsed the transfer of power from Saud to Faisal. Eleven years later, in 1975, the ulama again played a decisive role in their support of King Khalid's accession to the throne following the assassination of King Faisal. Fahd also enlisted the ulama's support when he became king following the death of Khalid in 1982. During the 1979 crisis, the ulama again played a major role by issuing a fatwa supporting the government.

The rise of Islamic fundamentalism, whether Sunni, as in the case of Egypt and Jordan, or Shia, as in the case of Iran, has indirectly increased the power of religious-traditionalist leaders in Saudi Arabia. Indeed, the Saudi monarchy's response to the fundamentalist trend has been to highlight the role of the Saudi king as the protector or guardian of Islam's two holiest shrines. In the last three years, Khadim al-Haramayn has become the most prominent title of the Saudi king. Other Gulf states have also responded to the rise of Islamic fundamentalism by adopting overt pro-Islamic policies such as building a "state" mosque or imposing new restrictions on social behavior.

Demands for Power Sharing. The rise of the new middle class and the changing educational level of the Saudi population will increase demands for power-sharing. In the next decade the Saudi royal family will find it increasingly difficult to remain at the apex of power without bringing this middle class into the decision-making process.

The gradual evolution of Saudi Arabia into a modern state with a functioning government was given significant impetus in the social and economic spheres when in November 1962 then Prime Minister Faisal issued his ten-point program for the

in November 1962 then Prime Minister Faisal issued his ten-point program for the modernization of the country. The program called for many of the basic elements of modern government:

1. Promulgation of a "Basic law" (or constitution) based on the sharia and the Koran.
2. Regulation of local government.
3. Creation of a Supreme Judicial Council and a Ministry of Justice.
4. Establishment of a Judicial Council.
5. New emphasis on the spread of Islam.
6. Reorganization of the Committee for Public Morality.
7. Social legislation to improve the standard of living of the average Saudi citizen.
8. Coordination of economic development programs and efforts.
9. Establishment of priority items in the economic development plan, such as an industrialization program.
10. Abolition of slavery.

Most of the social and economic provisions of the ten-point program have been implemented. Ambitious programs in industrialization, health, education, and welfare have been set in motion. In the political sphere, however, no constitution has been written. The king's authority has not been diminished. Nevertheless, the

organizational structure has been formalized, new ministries have been created, and the central bureaucracy has grown in size.

Saudi demands for political reform are on the rise, and the government statement early in this decade promising the promulgation of a constitution is believed to be a response to these rising demands. Indeed, in March 1980, the Saudi government announced the appointment of an eight-member committee under the chairmanship of Prince Nayif ibn Abd al-Aziz, Minister of the Interior, to draw up a "basic system of rule" guided by Islamic principles. However, as of yet nothing has come of it. As was pointed out above, the impetus for political reform is being generated by the rapidly expanding middle class, a new stratum of the population that is educated, semi-secular, bourgeois, and nontraditional. This new class seems destined to play a central role in the political future of Saudi Arabia. The reaction of the royal family to these demands will, to a large extent, determine whether power-sharing will evolve peacefully.

Fluctuations in the Price of Oil. Oil dominates the economic life of Saudi Arabia; oil revenues have made it possible for the kingdom to construct a modern state with a highly advanced infrastructure offering comprehensive public and social services in only two decades. Oil revenues have also provided the principal underpinning of Saudi foreign policy. Saudi Arabia today is a state to be reckoned with in the world community, in commerce, economy, defense, and diplomacy. Saudi influence has been felt in regional politics, in superpower relations with the Gulf, and in the world of Islam.

At the end of 1987, Saudi Arabia's proved oil reserved were 167 billion barrels or 18.6% of the world's total share, larger than any other country, both in quantity and in percentage. Saudi oil is expected to last more than one hundred years. By comparison, the United States' proved oil reserves at the end of 1987 were 33.4 billion barrels or 3.7% of the world's total. Table 3 indicates the relative magnitude of Saudi oil reserves compared to other regions in the world.

Table 3
Proved Oil Reserves at End of 1987

Region/Country	Thousand million barrels	Share of Total	Reserve/Production (R/P) ratio*
North America ¹	41.1	4.6%	9.4
Latin America ²	114.3	12.9%	49.3
Western Europe ³	22.4	2.5%	14.6
Middle East ⁴	564.8	63.0%	100.0
Africa ⁵	55.2	6.1%	29.4
Asia & Australia ⁶	19.5	2.1%	15.9
Communist Block ⁷	79.2	8.8%	13.7
* * * * *			
Saudi Arabia	167.0	18.6%	100.0
United States	33.4	3.7%	9.0
Soviet Union	59.0	6.6%	12.9

¹USA, Canada.

²Argentina, Brazil, Ecuador, Mexico, Venezuela, others.

³Norway, United Kingdom, others

⁴Abu Dhabi, Dubai, Iran, Iraq, Kuwait, Neutral Zone, Oman, Qatar, Saudi Arabia, Syria, others.

⁵Algeria, Angola, Egypt, Libya, Nigeria, Tunisia, others.

⁶Japan, Brunei, Indonesia, Malaysia, other South East Asia, India, Other South Asia, Australia, New Zealand.

⁷China, USSR, others.

*Reserve/Production (R/P) ration is the length of time (years) that those remaining reserves would last if production were to continue at the then current level.

Source: BP Statistical Review of World Energy (1988).

Saudi Arabia has relied on its oil revenues to diversify its economy, to build a broad industrial base, to improve the quality of life for its citizens, to educate and train its nationals, and to defend itself. The late 1970s and early 1980s have shown that oil can be a mixed blessing. For example, for Saudi Arabia to continue to benefit from its oil revenues, certain conditions must prevail. First, a stable market must exist at sufficiently high prices to guarantee sufficient revenues for the anticipated expenditures in the budget. Second, international trade and shipping operations must remain somewhat stable. Third, an atmosphere of cooperation must exist between the oil producers and the oil consumers.

In late 1985 and early 1986 when the price of oil dropped significantly, Saudi Arabia and other oil-producing countries experienced a serious crisis. Most observers agreed then that an oil-generated crisis would transcend the economic sphere and would extend into the social and economic areas. This is equally true today. On the economic level, such a crisis would be felt in the following specific areas: a slowing of national manufacturing; an increase in the balance of trade deficit; a drop in official reserves; and an increase in the budget deficit.

If oil (price, production and shipping) is subjected to serious shocks in the future, a crisis situation would engulf Saudi Arabia and the rest of the GCC states. Three possible scenarios might occur: these states might ride out the storm, they might experience a change in the palace guard, or they might witness a violent overthrow of the regimes in power. The magnitude, severity and duration of any potential economic recession would determine which scenario would prevail at any given time. The worstcase scenario, of course, would have the most serious repercussions for long-term stability. Severe economic dislocations brought on by a sustained oil-related crisis inevitably would lead to political instability. Those groups which, heretofore, had benefited from the tribal power structure in desperation would form coalitions that would oppose this power structure openly and seek to destroy it. This process would be inflamed by racial animosities, religious rivalries, and nationalistic conflicts.

A wealthy urban tribal government could be tolerated in the 1970s and 1980s; a poor urban tribal government would be intolerable in the 1990s and beyond.

Concluding Remarks

The Saudi monarchy will face other challenges as well, both internal and external. Internally, these challenges will range from the distribution of wealth within Saudi society to the advent of new ideas brought by Saudi university graduates from abroad. Regionally and internationally, the challenges facing Saudi Arabia will include the continuing Arab-Israeli conflict; regional order in the post-Gulf war era and the role of Saudi Arabia in the emerging balance of power; and the role and effectiveness of the Gulf Cooperation Council as a regional organization and the status of Saudi Arabia in this council. These challenges have been addressed by other participants in this symposium.

Saudi Arabia and its sister states in the Gulf Cooperation Council have demonstrated tenacity in their quest for survival as independent polities. However, their continued survival, to a large extent, will be determined by their response to these challenges and by their ability to maintain a functional balance between the traditionalism to which they adhere and the change in which they are engulfed.

**Economic Achievements and Prospects for
Saudi Arabia and the other GCC States**

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***The author is grateful for the assistance of M. Pelissier.**

Introduction

The decade of the 1970s, with its dramatic increase in oil revenues, ushered in a euphoric era of economic potential for Saudi Arabia and the other Gulf States, which together formed the GCC in 1981. Resource constraints appeared a thing of the past as the availability of foreign exchange seemed unlimited. In retrospect, while the economic problems facing these countries were different than those of other developing countries, they were no less real. The problems of economic development did not evaporate with higher oil revenues. Economic progress, though substantial, has been checkered and slow, with profound implications for the future.

Nature of the Saudi and other GCC Economies¹

The heavy reliance of an economy on a depletable resource such as oil, differentiates it from other economies. In an oil-based economy, the interpretations of national product, savings and other important economic variables are unique. This, in turn, has fundamental implications for economic policy.

In essence, the national product of an extractive economy is not comparable to the national product of a diversified, non-extractive economy. Conventionally calculated national product in an extractive economy embodies a great proportion of asset transformation, as opposed to economic production. In an economy that is dependent on the depletion of an exhaustible resource, economic production (i.e. oil depletion) results in the reduction of a capital asset (i.e. oil in the ground). Thus it is essential

¹For a more detailed discussion on the nature of oil-based economies, see Hossein Askari, with Babak Dastmaltschi, Saudi Arabia's Economy: Oil and the Search for Economic Development, (Washington: JAI Press, forthcoming, 1989), chapter 2.

to separate that part of Net National Product (NNP) that corresponds to the reduction of the capital asset.²

The need to compensate for the depletion of oil has important implications for future generations of Saudis. Oil reserves should be seen as the birthright of all generations. To the extent that the current generation depletes the oil, without compensation through productive investments, it is effectively living off of the assets of all future generations and reducing the standard of living of future generations in its own favor. It should, however, be pointed out that savings can also take the form of keeping oil in the ground. Thus if oil is being extracted at the optimal rate (i.e. where the increase in the net price of oil, net of extraction cost, is equal to the social rate of discount), then the issue of how much should be saved does not arise.

A second distinguishing characteristic of Saudi Arabia (and other oil-based economies) lies in its degree of dependence on a single product, namely oil. Not only does oil provide the bulk of foreign exchange earnings, it also generates most budgetary revenues and, through government expenditures, supports much of the

²For the derivation and discussion of precise result, see Askari, with Dastmaltschi. Appendix I by Martin Weitzman. For a country totally dependent on oil, the ratio of conventionally measured (i.e. as reported in government statistics) to theoretically correct (i.e. a sustainable level of product) NNP is dependent on the inverse of the real rate of return on capital investments multiplied by the expected life of proven oil reserves. The ratio is an indicator of the relative size of the theoretically correct NNP for an economy totally based on oil, if comparisons are to be made with other economies which have little or no extractive industries. This result is quite intuitive. The longer the life expectancy of proven oil reserves, the longer Saudi Arabia has to establish alternative sources of NNP and a larger proportion of current NNP can be considered as output from a sustainable base. At the same time, the higher the real return on investments, the less the government has to invest today in order to receive a given flow of income in the future, and thus a larger proportion of current NNP can be considered as output from a sustainable base. But the point is that the country must still earn a real rate of return from investments. Although this basic point is well-taken for Saudi Arabia, it is even more important for countries in which oil is of great significance to current economic output but the expected life of proven reserves is very limited, countries such as Bahrain or Oman.

economic activity in the domestic non-oil private sector. This dependence makes Saudi Arabia potentially more vulnerable to factors affecting market conditions in a single product than is the case for most other developing countries with a more diversified economic base (see table 1).

Table 1
Saudi Arabia: Dependence on Oil

	Ratio of oil exports to total exports	Ratio of oil exports to GDP	Ratio of oil revenue to total govt. revenue
1979	99.8	59.9	91.2
1980	99.9	87.8	91.7
1984	96.5	45.3	69.4

Sources: International Monetary Fund, International Financial Statistics

The accrual of export revenues to the government means it has a readily available source of savings and foreign exchange with which to finance investment. This fact makes savings decisions easier for Saudi Arabia by avoiding the pains of taxation and its collection. This is in contrast to many other developing countries where the domestic savings constraint and the foreign exchange constraint retard growth and development. In this connection, however, it should be noted that the removal of constraints on savings and foreign exchange does not mean an absence of resource constraints on development. All investment projects require complementary domestic, as well as imported resources, and the government's overall investment strategy has to take into account the need for domestic resource mobilization. In Saudi Arabia, skilled labor and agricultural land are the binding constraints.

Given Saudi Arabia's heavy dependence on oil, an all-important objective has been diversification of its economic and revenue base away from oil. The underlying reasons for diversification are many. The most direct reason for diversification is the fact that oil reserves eventually will be depleted, necessitating an alternative economic

base of production. In the absence of a non-oil economic base, domestic economic activity and revenues will decline with oil depletion. Such a development will not only adversely affect domestic economic activity but also export revenues, government revenues, and other economic indicators directly or indirectly linked to oil extraction. Moreover, diversification away from oil will reduce the risk or exposure associated with dependence on a one-export commodity, as opposed to a diversified export base; and diversification can be expected to result in more stable revenues, benefiting the planning process and, in turn, economic development and growth.

The oil industry cannot directly generate enough diverse employment opportunities. The oil industry, especially modern oil refineries and petrochemicals plants, is highly capital intensive. Labor requirements are small, and require relatively high skills. Since the oil sector uses advanced foreign technology, it does not provide training opportunities for the indigenous labor force. To create increased employment opportunities and opportunities for different professional and skilled categories of manpower, diversification away from oil is required.

In Saudi Arabia, human and social considerations play a dominant role in the objective function of the policymakers. However, the oil sector, with its direct linkage to the government, does not directly provide a mechanism for distributing income and purchasing power to citizens. As a result, the government itself is required to use direct and indirect channels to distribute income.

Given the nature of the Saudi Arabian economy, and the role and implications of a large oil sector, what should be Saudi Arabia's general economic policies? A large portion of its current NNP, or oil revenues, should be invested to yield a high real return to compensate for the depletion of oil. By real return, it should be understood that one does not mean an artificial return which does not incorporate explicit and implicit subsidies such as low energy prices, an overvalued exchange rate, tariffs and the like. For the purpose of compensating for the depletion of oil, however, the return need not be necessarily from domestic investments alone. But

given that in Saudi Arabia oil revenues accrue to the government, it places more responsibility on the government to pursue sound economic and investment policies. This is even more critical than in most other developing countries because of the overwhelming role of the government.

Assessment of Saudi Arabia's Economic Performance

The Saudi Arabian economy has experienced an extraordinary transformation and expansion over the past decade and a half (1970-1983). A review of some selected economic indicators brings this growth into perspective. Real GDP, measured in billions of 1970 U.S. dollars, grew from 3.8 in 1970 to nearly 16 in 1982, a fourfold increase over a twelve year period (see table 2). During this time the share of non-oil GDP, which includes electricity, gas and water services, as well as manufacturing, transport and agriculture, increased from less than 40 percent of total GDP to 54 percent in 1981 and to over 75 percent in 1985, although this increase is somewhat overstated given the drop in oil production. Despite a recent decrease in income, Saudi Arabia's nominal GDP per capita was still one of the highest in the developing world at U.S. \$8,100 in 1985, though it was only \$600 a decade and half ago.

Saudi Arabia's exports, mainly oil and, most recently, oil related products, have also increased dramatically. Between 1970 and 1981 export revenues grew from \$2.1 billion to over \$110 billion in 1981, only to drop again to nearly \$40 billion in 1984 and to less than \$30 billion in 1985. Non-oil exports have consistently accounted for only 1-2 percent of total exports over the entire period. Imports have kept pace with exports as far as growth rate is concerned but have clearly fallen far short of total exports over the period, resulting in a positive trade balance in many years. The positive trade balance, which at times exceeded \$80 billion (1981), and the interest on foreign assets contributed to the buildup of the kingdom's foreign reserves. In 1982, foreign assets reached \$140 billion, and despite recent drawdowns to meet

Table 2

Selected Key Economic Indicators
Kingdom of Saudi Arabia

Real Gross Domestic Product
(billions of 1970 US \$) *

Year	Non-oil				Current Per Capita GDP 1000 US \$	SAMA** Foreign Assets (In Billions of US Dollars)	Trade		Exports
	Oil GDP	Government (%)	Private (%)	Non-oil GDP			Balance	Imports	
1970	2.1	28.5	71.5	1.7	0.6	0.9	1.3	0.8	2.1
1973	4.9	30.0	70.0	2.7	1.7	4.8	5.6	1.9	7.5
1975	5.4	34.4	65.6	3.6	5.5	38.7	21.3	6.0	27.3
1978	6.5	33.5	66.5	5.3	8.0	60.0	17.0	20.0	37.0
1980	7.1	33.4	66.6	7.6	12.4	87.4	72.5	28.2	100.7
1981	7.1	32.5	67.5	8.3	15.6	128.8	81.2	29.9	111.1
1982	6.5	30.0	70.0	9.2	14.9	141.0	38.6	34.4	73.1
1983	4.1	28.5	71.5	9.7	11.1	132.6	12.5	33.2	45.7
1984	3.4	28.1	71.9	9.4	9.4	117.9	8.8	28.6	37.4
1985***	2.7	26.7	73.3	8.8	8.1	109.2	N.A.	N.A.	N.A.

* Unless noted otherwise

** Saudi Arabian Monetary Agency

*** Estimates

Note: Figures may not add up due to rounding

Source: Saudi Arabian Monetary Agency Yearbooks, IMF, International Financial Statistics

budget deficits, foreign assets were estimated at around \$90 billion for year-end 1986; with net usable assets at around \$65 billion.

In order to benefit from downstream operations, Saudi Arabia has over the past decade and a half expanded significantly its oil refining capacity to meet domestic and export demand for petroleum products. Through the Saudi Arabian Basic Industries Corporation (SABIC), the kingdom has invested heavily to develop a large petrochemical industry. Over the past ten years, SABIC has spent nearly \$12 billion dollars on the development of 13 industrial projects in the area of petrochemicals, most of which are on stream. The industrial cities of Jubail and Yanbu were built for the express purpose of housing Saudi Arabia's basic and secondary industries.

Saudi Arabia's accomplishments extend beyond the petroleum sector into basic industries, construction, agriculture and infrastructure. In the area of basic industries (beyond petrochemicals and refineries), SABIC's investments include factories for the production of steel (1 million tons/yr) and fertilizers (500,000 tons/yr). In order to support secondary industry and other non-hydrocarbon related production, the government had extended soft loans through the Public Investment Fund (PIF) amounting to US \$3.6 billion by 1983/84.

One of the most rapid and unexpected developments in the kingdom was spurred by the generous incentives and subsidies provided to the agricultural sector. Wheat production grew nearly 15 fold, from 130,000 tons in 1970 to over 2 million tons in 1986. Saudi Arabia, not only provides for its own wheat consumption but exports some of its excess production.

The government of Saudi Arabia decided that, during this period of extraordinary gains in revenues and general economic surplus, one avenue of ensuring future growth would be through the development of substantial physical infrastructure. It was hoped that by putting in place part of the foundations of a modern economy in the form of infrastructure, private-sector participation would be increased. Large-

scale development projects have been carried out in many areas, ranging from education and health care to physical infrastructure. Improvements in transport and communications, and in housing, have been impressive as well. In table 3, some representative statistics on Saudi Arabia's development in the area of infrastructure are presented.

All along, Saudi Arabia has also given prominent attention to fostering the education and well-being of citizens. While not quite comparable to physical infrastructural achievements, the development of human capital has been one of the major ingredients of Saudi Arabia's long-term development. To that end, the number of schools in Saudi Arabia was increased from 3,000 in 1970 to nearly 14,000 by the end of the third development plan (1984). Special attention was given to the expansion of female education: over the past three development plans, the ratio of female students increased from virtually zero to over one-third of the student populace. In the area of higher education, 51 colleges and seven universities offer 400 courses to 85,000 registered students. The government also has been increasing its commitment to technical and vocational training. The number of technical schools has increased from 7 to over 38 between 1970 and 1985, and vocational schools have grown from 4 to over 30 during the same time period.

In order to meet the health needs of the kingdom's populace, hospital beds at Ministry of Health hospitals were increased from 7 thousand in 1970 to nearly 17 thousand in 1983. Some of these specialty health clinics are unique in the Middle East.³

³ These figures have been obtained from: Ministry of Information, A Decade of Progress, 1985; and Ministry of Planning, Achievements of the Development Plans, 1390-1403 (1970-1983).

Table 3

Selected Statistics of Saudi Arabia's Development

Year	Generated Electricity million Kwh	Length of Paved Roads kilometers	Desalinated Water Supply mill gal/day	Port Handling Capac. at 70% 1000 tons	Airpassenger Arrivals millions	Telephone Lines thousands	# of Schools	# of Hospital Beds
1970	1,825	8,021	4.6	NA	0.8	76.6	3,107	7,165
1973	2,908	8,976	4.6	NA	1.2	76.6	4,254	8,870
1975	4,270	11,243	10.6	6,102	2.5	131.6	5,634	9,250
1978	9,713	17,200	17.8	21,530	5.3	215.0	8,695	10,412
1980	18,909	20,238	38.7	37,800	8.4	587.3	11,070	11,968
1981	25,061	22,496	49.7	41,300	9.8	741.0	11,379	13,066
1982	31,014	23,794	98.3	46,700	10.7	970.7	12,619	14,333
1983	33,010	26,042	330.6	48,800	11.7	1122.3	13,426	16,990

Source: Ministry of Planning, Achievements of the Third Development Plan, 1390-1403.

These facts and figures, however, hide some of the underlying problems of the Saudi economy. Saudi Arabia's approach to economic development has consisted of two important pillars: the provision of infrastructure and use of subsidies to encourage the development of a non-oil private sector.

In the early 1970s, the government of Saudi Arabia decided that a requirement for promoting the kingdom's future development was the provision of adequate infrastructure. It was hoped that with infrastructure in place, the emerging private sector would not be constrained by bottlenecks that typically limit the development process in other countries (e.g. lack of transportation, telecommunications and utilities). The tremendous increase in government revenues during 1971-1981 provided a seemingly infinite source of financing for such ambitious projects.

The government of Saudi Arabia, concentrated the development of infrastructure in certain components and areas, resulting in overcapacity in some components and areas, while others are still underserved. It would have been advisable to have implemented the infrastructure policy more slowly, as infrastructural needs are difficult to predict, especially in a rapidly changing economy which is subject to vast structural transformations. The cost of this policy has been the opportunity cost of capital associated with overcapacity, the cost of additional infrastructure to accommodate inflows of labor to work on infrastructure (infrastructure "feeding" on itself), the additional maintenance cost and, in the future, the possibility that some of the infrastructure may be abandoned.

The second pillar of economic development has been subsidies. Subsidies are, to differing degrees, a feature of all economies and are employed by governments to attain social, as well as economic goals. In the case of Saudi Arabia, subsidies play a more pervasive role than in most other economies; the coverage of subsidies has been very broad, for both social as well as productive goals, and their value large by any measure. In the absence of targeted macro and commercial policies, the use of subsidies has been the most important domestic economic policy.

There are many categories of subsidies. There are subsidies for social as well as productive reasons. There are capital subsidies and operating subsidies. Some subsidies are direct payments and others are in the form of subsidized prices. They cut across almost all sectors of the economy and cover utilities, fuels, agriculture, essential commodities, social services and industry.

The calculated size of subsidies for each sector can be seen in table 4.⁴ First, the aggregate numbers are large. The annual cost of subsidies has ranged from a low of \$1.1 billion in 1975 to a high of \$19.7 billion in 1982, with the aggregate for the years 1975-1984 at \$93.4 billion.⁵ Second, in all years except 1975, fuel subsidies are the largest component, on average representing roughly one-third of the total.⁶

A glance at tables 5-7 reveals the relative importance of subsidies to various indicators. Subsidies as a percentage of GDP have varied from a low of 2.4 in 1975 to a high of 39.6 in 1982. As a percentage of oil revenues, subsidies have ranged from 4.3% to 73%; as a percentage of government expenditures, from a low of 4.7% to a high of 79.3%. Given these times of lower oil revenues, it may be useful to see what was the size of allocations in the 1984 budget for subsidies. Such an estimate can be derived by taking all operating subsidies minus fuel subsidies (these being foregone revenues) plus capital allocations for that year alone. The resulting figure

⁴ See Askari, with Dastmaltschi, chapter 6, for detailed discussion of these subsidies.

⁵ The government's figure for budgetary subsidies for 1984 amounted to \$2.98 billion.

⁶ The true meaning of opportunity cost of this subsidy can be questioned on the basis that the opportunity cost of a barrel of oil in Saudi Arabia is less than the price. But if the market is in equilibrium, natural resource economics would indicate that the expected increase in the net price of oil is equal to the social rate of discount. This may not be reflective of the imperfect market forces in oil. In any case, one may decide to reduce the fuel subsidy component somewhat if one had a different opportunity cost in mind for oil.

Table 4

Total Government Subsidies
(All figures in millions of \$)

	1975 (1395)	1976 (1396)	1977 (1397)	1978 (1398)	1979 (1399)	1980 (1400)	1981 (1401)	1982 (1402)	1983 (1403)	1984 (1404)	Total
Agriculture	64	71	94	147	221	427	716	1,207	1,466	1,947	6,361
Industry	35	52	77	103	182	289	381	531	471	361	2,482
Water	166	136	140	160	195	447	1,808	2,416	2,545	2,405	10,418
Electricity	88	138	245	496	934	1,420	1,882	2,603	2,391	2,161	12,358
Housing*	66	243	325	468	900	1,481	1,959	2,725	2,525	2,041	12,733
PIF*	72	140	214	310	517	896	1,334	2,002	1,792	1,353	8,631
Food**	411	170	200	241	431	902	1,464	1,303	458	727	6,307
Saudia**	7	32	48	47	70	95	253	118	0	0	670
Fuel**	191	313	421	662	1,420	3,771	5,615	6,784	7,669	6,642	33,488
Total	1,100	1,295	1,762	2,635	4,871	9,730	15,412	19,689	19,317	17,638	93,448

* Only Capital Subsidy

** Only Operating Subsidy

Table 5

Total Government Subsidies as
a Percentage of GDP

	1975 (1395)	1976 (1396)	1977 (1397)	1978 (1398)	1979 (1399)	1980 (1400)	1981 (1401)	1982 (1402)	1983 (1403)	1984 (1404)
Agriculture	0.1	0.1	0.1	0.2	0.2	0.3	0.5	1.0	1.4	2.1
Industry*	0.1	0.1	0.2	0.2	0.4	0.6	0.8	1.1	1.0	0.8
Water	0.4	0.3	0.3	0.3	0.4	0.9	3.8	5.0	5.4	5.2
Electricity	0.2	0.3	0.5	1.0	1.9	2.9	3.9	5.4	5.1	4.7
Housing*	0.1	0.5	0.7	0.9	1.8	3.0	4.1	5.7	5.4	4.4
PIF*	0.2	0.3	0.5	0.6	1.1	1.8	2.8	4.2	3.8	2.9
Food**	0.9	0.4	0.4	0.5	0.9	1.8	3.0	2.7	1.0	1.6
Saudia**	0.0	0.1	0.1	0.1	0.1	0.2	0.5	0.2	0.0	0.0
Fuel**	0.4	0.7	0.9	1.3	2.9	7.6	11.7	14.2	16.3	14.4
Total	2.4	2.7	3.7	5.2	9.7	19.1	31.0	39.6	39.3	36.1

* Only Capital Subsidy

** Only Operating Subsidy

Table 6

**Total Government Subsidies as
a Percentage of Oil Revenues**

	1975 (1395)	1976 (1396)	1977 (1397)	1978 (1398)	1979 (1399)	1980 (1400)	1981 (1401)	1982 (1402)	1983 (1403)	1984 (1404)
Agriculture	0.2	0.2	0.3	0.4	0.5	0.5	0.7	1.7	4.0	6.3
Industry*	0.1	0.2	0.3	0.4	0.7	1.1	1.4	2.0	1.8	1.4
Water	0.6	0.5	0.5	0.6	0.7	1.6	6.8	9.2	9.8	9.5
Electricity	0.3	0.5	0.9	1.8	3.5	5.2	7.1	9.9	9.3	8.6
Housing*	0.3	0.9	1.3	1.7	3.4	5.5	7.4	10.4	9.8	8.1
PIF*	0.3	0.5	0.8	1.1	1.9	3.3	5.0	7.6	6.9	5.4
Food**	1.6	0.7	0.8	0.9	1.6	3.3	5.5	5.0	1.8	2.9
Saudia**	0.0	0.1	0.2	0.2	0.3	0.4	1.0	0.4	0.0	0.0
Fuel**	0.7	1.2	1.6	2.4	5.3	13.9	21.2	25.8	29.7	26.3
Total	4.3	5.0	6.7	9.6	17.8	34.8	56.3	72.0	73.0	68.4

* Only Capital Subsidy

** Only Operating Subsidy

Table 7

Total Government Subsidies as
a Percentage of Government Expenditures

	1975 (1395)	1976 (1396)	1977 (1397)	1978 (1398)	1979 (1399)	1980 (1400)	1981 (1401)	1982 (1402)	1983 (1403)	1984 (1404)
Agriculture	0.3	0.2	0.2	0.3	0.4	0.6	0.9	1.7	2.3	3.2
Industry*	0.2	0.2	0.3	0.4	0.8	1.2	1.6	2.2	2.0	1.6
Water	0.7	0.6	0.6	0.6	0.8	1.8	7.5	10.1	10.9	10.5
Electricity	0.4	0.6	1.0	2.0	3.8	5.8	7.9	10.9	10.2	9.4
Housing*	0.3	1.0	1.4	1.9	3.7	6.0	8.2	11.4	10.8	8.9
PIF*	0.3	0.6	0.9	1.3	2.1	3.6	5.6	8.4	7.7	5.9
Food**	1.8	0.7	0.9	1.0	1.8	3.7	6.1	5.5	2.0	3.2
Saudia**	0.0	0.1	0.2	0.2	0.3	0.4	1.1	0.5	0.0	0.0
Fuel*	0.8	1.3	1.8	2.7	5.8	15.3	23.4	28.5	32.8	29.0
Total	4.7	5.5	7.4	10.4	19.5	38.4	62.2	79.3	78.6	71.8

* Only Capital Subsidy

** Only Operating Subsidy

is somewhat in excess of \$11.8 billion, or 45% of oil revenues in 1984; and these partial subsidy allocations in one year plus military expenditures represented roughly 80% of oil revenues; if this subsidy figure is further reduced to include only consumption-oriented subsidies, it represents about 31% of oil revenues and when combined with military expenditures, they account for 65% of oil revenues. All of this indicates a huge budgetary drain even on an annual cash basis.

The significance of government subsidies, in absolute size and relative to a variety of indicators, such as oil income, GDP, budget allocation and population is clear. What did the government and people of Saudi Arabia receive for these subsidies? In table 8, a rough, general and judgmental classification of the subsidies by their objective is given, with an average share of the categories in total subsidies. It should be noted that these were the objectives and not necessarily the end results.

Table 8
Classification of Subsidies by Overall Objective
(as percentage of total subsidies for 1395-1404)

Classification Subsidies	Largely social objectives with little impact on development of competitive industries	Mixture of Objectives	Largely Productive Objectives
Electricity	7.4		3.2
Water	12.2		
Fuels		29.6	
Agriculture	5.5		
Food subsidies	6.6		
Saudia (operating)	0.7		
REDF	18.6		
PIF			12.5
SIDF			3.7
Totals	51.0	29.6	19.4

Were the subsidies designed in the most efficient way to achieve their intended goals? As a general rule, economic efficiency requires that subsidies be applied directly at the source. Thus, if production increases are called for, general production subsidies should be given. Indirect input subsidies, in the form of cheap electricity, to stimulate production, result in distortionary effects as they artificially promote the inefficient (not reflecting opportunity cost) use of electricity. With this in mind, it is evident that in Saudi Arabia most of the production subsidies have not been targeted at the source.

In the case of industrial subsidies, the question is whether the resulting industries that have developed will be competitive in the long run and on the world market, and without subsidies. The answer to this question requires a case-by-case analysis. A partial answer might be gauged from an examination of the non-oil exports of Saudi Arabia relative to the accumulated industrial incentives afforded by the government. This is at best a partial answer, as some industries may be import-substituting and/or the subsidies could produce fruits in the more distant future. In 1984, Saudi Arabia's total exports were \$37 billion (SR129.8 billion); of this, \$36.4 billion (SR127.8 billion) was classified as fuels and lubricants; of the remaining \$0.6 billion (SR 2.1 billion), \$0.4 billion (SR1.4 billion) were classified as refined materials (i.e. petrochemicals).⁷ A casual conclusion indicates that the lion's share of the subsidies has done little to promote a viable non oil sector to compensate for oil depletion; or, at least, very little export diversification away from oil has been so far achieved.

Assessment of Economic Performance of other GCC States

Within the GCC, Saudi Arabia, Kuwait, Qatar and Abu Dhabi have had significant (on a per capita basis) oil revenues over the last fifteen years. A second group, Oman and Dubai, have had substantial oil revenues but clearly less on a per

⁷ Ministry of Finance and National Economy, Foreign Trade Statistics, 1984.

capita basis. The third group, Bahrain and the remaining member states of the UAE, have had only marginal oil revenues.

Kuwait, and to a lesser degree Abu Dhabi and Qatar, have pursued a different path than Saudi Arabia to economic diversification and development. These states, while providing extensive domestic social services and infrastructure, have not pursued domestic industrialization as an avenue for economic diversification away from oil. Instead, they have invested a larger proportion of their current account surpluses abroad (direct and portfolio foreign investment) to provide future sources of non-oil income to compensate for oil depletion. This course of action has been easier for these states, as opposed to Saudi Arabia, because of their smaller population and land mass.⁸

In table 9, the economic performance of GCC countries is compared and in tables 10 and 11, their current situation is presented. In the case of Kuwait, Qatar and the UAE (especially Abu Dhabi), foreign assets, on a per capita basis, are huge. Moreover, the per capita asset figures in table 11 for these countries would be roughly doubled if foreign workers were excluded from the calculation. From table 10, it is confirmed that the GCC states have small agriculture and manufacturing sectors; industry, which includes oil and construction is the dominant sector, followed by services.

⁸ This argument is frequently made by Saudi officials. They argue that Saudi Arabia must develop domestically in order to provide adequate employment opportunities for its citizens. Additionally, they reason that Saudi Arabia's large area requires substantial investment in domestic infrastructure.

Economic Prospects for Saudi Arabia and the GCC

The medium term economic prospects for Saudi Arabia depends on two factors: the state of the oil market and thus on oil revenues, and the direction of domestic economic policy.

Oil Market. To differing degrees, the economic prospects of Saudi Arabia and of the other GCC States will depend on the health of the international oil market. As mentioned earlier, Kuwait's large foreign assets (relative to financial needs and population) have afforded Kuwait a successful avenue of diversification away from oil and an alternative source of revenues, which in 1987 exceeded current oil revenues. Abu Dhabi and Qatar, although achieving a lower relative degree of diversification than Kuwait, still have achieved substantial diversification through the accumulation of external assets. Oman and Dubai have not relied on oil to the extent of Saudi Arabia. The other UAE members and Bahrain have exported too little oil over the last fifteen years to make a significant economic contribution. Although Saudi Arabia had the largest oil revenues, its economic prospects, because of its large financial commitments, continue to depend on the health of the oil market. To appreciate likely developments in the oil market, we should briefly examine recent developments.

In the period after 1981, as the world demand for oil dropped due to the price increases of 1979/1980, Saudi Arabia acted as a swing producer, unilaterally lowering its output in order to support official OPEC prices.⁹ Saudi Arabia lost long run market share by following a production policy that sustained high prices and subsequently was forced continually to reduce production in order to maintain prices. The motivations behind the swing-producer role were due largely to political considerations and miscalculations of the impact of high prices on demand. The abandoning of the swing-producer strategy in 1985 appears to have been to the

⁹ For detailed discussion of oil market issues, see Askari, with Dastmaltschi, Chapter 3.

benefit of Saudi Arabia and the other GCC members, both economically and politically--at least within the Gulf region.

Table 9
GCC Economic Performance
1973-1986 (average annual in percent)

	<u>Population Growth Rate</u>	<u>GNP Growth Rate</u>	<u>GNP Per Capita Growth Rate</u>
Bahrain*	4.4	5.2	0.8
Kuwait	5.5	5.2	-0.3
Oman	4.8	7.0	2.1
Qatar	6.5	-3.1	-9.0
United Arab Emirates	7.9	7.6	-0.3
Saudi Arabia	4.8	5.2	0.4

*1973 - 1985

Source: World Bank Atlas

Table 10
GCC Economic Structure
Distribution of GDP (Percent)

	<u>Bahrain</u>		<u>Kuwait</u>		<u>Oman</u>		<u>United Arab Emirates</u>		<u>Saudi Arabia</u>	
	<u>1980</u>	<u>1984</u>	<u>1970</u>	<u>1984</u>	<u>1970</u>	<u>1984</u>	<u>1973</u>	<u>1984</u>	<u>1970</u>	<u>1984</u>
Agriculture	1.1	1.2	0.5	0.6	15.7	2.9	1.4	1.3	5.7	2.6
Industry	55.7	42.8	68.0	58.4	78.0	59.1	60.7	66.9	64.0	59.6
Manufacturing	15.2	10.6	3.6	7.6	0.2	3.0	2.0	9.6	9.7	7.2
Services	46.4	59.1	31.4	41.0	7.3	38.0	n.a.	31.8	31.2	37.8

Source: World Bank, World Tables, 1987.

Table 11

GCC Economic and Social Indicators*

	Population (thousands)	GNP Per Capita (US \$)	Net Usable Foreign Assets (Billions US \$)***	Net Foreign Assets Per Capita (US \$)	Life Expectancy at Birth	Percent of Population Aged 6-17 Enrolled in School (1984)	Infant Mortality Rate (1985)
Bahrain	431	8,510	3	6,960	70	81	31.6**
Kuwait	1,775	13,890	100	56,338	73	88	22.0
Oman	1,291	4,990	2	1,549	54	48	109.0
Qatar	317	13,200	18	56,782	69	71	N.A.
United Arab Emirates	1,429	14,410	30	20,993	69	55	35.0
Saudi Arabia	12,011	6,930	55	4,579	63	77	66.1**

* 1986 unless otherwise indicated

** 1983

*** These figure are the author's estimates for year end 1987. In the case of Abu Dhabi, the per capita figure would be on the order of \$60,000. All of the per capita figures are understated because foreign workers are included in the population and in some cases the population figures are somewhat overstated.

Sources: World Bank, World Development Report
World Bank, World Tables
World Bank, World Bank Atlas

The future of the oil market over the medium term will depend largely on four factors: capacity, concentration, exchange rates and Saudi (GCC) oil policy. Capacity, or more correctly excess capacity in oil production, is a key determinant of future market developments. To the extent that there is excess capacity outside of OPEC, a tight oil market is unlikely to develop. But as excess capacity is reduced and becomes more and more concentrated first in OPEC, in the Middle East and then in the GCC, oil prices are more likely to increase. Similarly, as oil trade becomes more and more concentrated, the producer of the marginal barrel has increasing influence on prices. Exchange rate developments have a substantial impact on oil prices because of the way oil prices are quoted by OPEC. Given that prices are quoted in dollars, a depreciation of the dollar, relative to the currencies of the major oil importing countries, increases the demand for oil, thus exerting upward pressure, with a lag, on the price of oil. Finally, Saudi Arabia and the rest of the GCC, with their large market share and more importantly with the lion's share of worldwide excess capacity, exert enormous influence on developments in the oil market. What does all of this portend for future oil revenues?

The general prognosis is that substantial excess production capacity will last into the early 1990s. Thereafter, the oil market will begin to tighten. If the GCC does not expand its output and later expand capacity, the oil market is likely to repeat its cycle of 1979/80 to 1985. However, if the GCC expands output and capacity, a strong oil cycle may be avoided. In any case, oil revenues are unlikely to increase substantially from their current levels over the next five years or so. But thereafter, the prognosis is for increasing oil revenues, and either sharp or steady price increases, depending on GCC oil policies.

Domestic Economic Policies. A change of direction in domestic economic policies is critical in Saudi Arabia, especially given the fact that oil revenues are unlikely to pick up in the next five years or so. The financial pressure on Saudi Arabia comes from two sources: military expenditures and subsidies. In table 12, the burden of military expenditures, in terms of the budget and oil revenues, is confirmed. The

Table 12

Saudi Defense and Security Expenditure in Relation to Government Budget
(In millions of US Dollars)

	(1400/01)	(1401/02)	(1402/03)	(1403/04)	(1404/05)	(1405/06)	(1406/07)*
Defense and Security	16,423	19,387	19,390	18,494	19,293	16,702	16,419
Total Budget Expenditure	71,042	84,215	71,403	66,721	61,467	50,138	45,946
Oil Revenues	95,887	97,217	54,229	42,065	29,511	17,630	NA
Total Government Revenues	104,540	108,878	71,773	59,832	48,724	36,325	NA

Defense and Security as a percentage of:

Total Expenditures	23.1	23.0	27.2	27.7	31.4	33.3	35.7
Oil Revenues**	17.1	19.9	35.8	44.0	65.4	94.7	NA
Total Revenues	15.7	17.8	27.0	30.9	39.6	46.0	NA

Source: Ministry of Finance and National Economy

* Budget Figures

** Excludes transfers from the petroleum sector

burden of subsidies was confirmed earlier. In view of oil market prospects, and given the national commitment to defense, the government must rationalize subsidies or borrow heavily and thus further mortgage the economic prospects of future generations.

By the end of 1988, Saudi Arabia's net usable reserves are estimated by the author to be around \$40-\$45; this figure may be lower than other estimates because long-term "loans" of questionable value have been netted out. Given this estimated level of reserves, expectations regarding the oil market and Saudi government expenditures, the government will face increasing pressures to cut subsidies and/or military expenditures over the next five years. But just as important as cuts in certain subsidies is a change in both the method of affording subsidies and in redirecting the focus of subsidies to productive ends as opposed to consumption. These changes in policy are required for the long-term health of the Saudi economy.

Kuwait, Abu Dhabi (and the rest of the UAE) and Qatar can easily ride the downturn in the oil market. Bahrain, dependent on Saudi Arabia, may not fair as well. The prospects for Oman lie between those of the emirates and Saudi Arabia.

Conclusion

To differing degrees, the GCC countries still today are heavily dependent on the oil market. Saudi Arabia did not take full advantage of the high oil revenues of the past. Oil revenues have been used largely to finance subsidies and military expenditures. On the other hand, Kuwait, and to a lesser degree Qatar and the UAE, have built substantial foreign assets as a means of economic diversification away from oil. As a result, economic prospects for Saudi Arabia will depend on developments in the oil market and on the speed with which the course of domestic economic policies can be changed. Given that the contribution of oil is unlikely to pick up substantially before the mid-1990s, changes in domestic economic policies

will be all the more critical for Saudi Arabia's economic prospects. Unfortunately, it has been difficult for Saudi Arabia to cut the large subsidies (subsidies with important constituencies) and military expenditures. With every passing day, external reserves continue to decline and the room for maneuver is further reduced. Policy changes, while critical for Saudi Arabia, will in turn also heavily influence the prospects of the GCC countries that are dependent on the kingdom, namely Bahrain, some of the UAE, and, to a lesser degree, Oman.

**Social Change in the Arab Gulf States
and Political Implications**

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Gulf societies have been buffeted immensely by countervailing forces over the last few decades. First, the advent of the oil era disrupted the nature of personal and family relationships, introduced consumerism, subordinated the principle of egalitarianism to more formal authority structures, and created thorough dependency on governments.¹ The oil boom of the 1970s brought not only opportunity and prosperity but threatened to tear the fabric of society through the distortion of proportion, values, goals and integrity. For most citizens, the 1980s have been welcomed as a relief from the halcyon days of the previous decade; many employ the images of recovering from drunkenness or returning to normalcy from a high to describe the end of that era.

A principal outcome of the economic retrenchment of the 1980s has been a re-emphasis on traditional values in religion, society, and family structure. The continued existence and strength of this bedrock of traditionalism underlies more visible change in physical and administrative infrastructure, social welfare, education, commerce and many other areas. In fact, the two seemingly contradictory forces--tradition (or traditionalism) and modernization--coexist comfortably.

Various causal factors, largely but not exclusively introduced by the advent of oil age, have stimulated extensive social change in what remain heavily traditional societies. Even as the exploitation of oil has produced economic benefits and strengthened the political order, the simple integrated societies of the Gulf have been distorted and disoriented by being thrown rapidly and without preparation into a far more complex international arena of politics, economics and finance.² Some causal

¹ See Levon Melikian, "Arab Socio-political Impact on Gulf Life-Styles," in B.R. Pridham, The Arab Gulf and the Arab World (London: Croom Helm, 1988), p. 115; citing Salah al-Akkad, Political Currents in the Arab Gulf (Cairo, Anglo-Egyptian Press, 1974, in Arabic), p. 177.

² Levon H. Melikian, "Gulf Reactions to Western Cultural Pressures," in B.R. Pridham, ed., The Arab Gulf and the West (London: Croom Helm, for the University of Exeter Centre for Arab Gulf Studies, 1985), p. 205.

factors of social change were the deliberate consequence of government policies while others were unforeseen. The more pivotal of these include:

- (1) the transformation of the economy;
- (2) the expansion of governments to carry out new functions and responsibilities, along with the need for a large bureaucracy;
- (3) the provision of extensive and largely free social services;
- (4) planned development and distributive policies;
- (5) the emphasis on education for manpower development;
- (6) the shift to and extent of urbanization; and
- (7) the massive influx of expatriates.

The effects of these causal factors on social change can be seen in such areas as:

- (1) sedentarization of the badu and partial detribalization;
- (2) the development of a national political culture within an Arab and Islamic context;
- (3) changes in family structure with growing accent on the nuclear family;
- (4) changing relations between the sexes and the expansion of women's domain;
- (5) cultural erosion through greater contact with the external world and the presence of a wide variety of expatriates;
- (6) evolution in class structure and greater social stratification; and
- (7) changing outlooks in successive generations.

Because of their strong political implications, these last two effects deserve discussion in greater detail.

Evolution Of Class Structure

Social stratification in the GCC states is far less rigid than in many other parts of the world. Nevertheless, the onset of the oil era has deepened the existing, even if relatively minimal, stratification. In addition, it has created new distinctions, based on education, skills, and occupations that did not exist in the past. At the same time, the uneven distribution of oil wealth and the ability of some groups to

exploit their advantageous placement has widened the gap between upper economic classes and the rest of the population.

A paradigm of class structure in the Arab Gulf states is presented in the accompanying table. It must be noted, first, that any single schema of social stratification in the Gulf necessarily blurs the lines between social, economic and political elites and groups. High social status, such as enjoyed by badu tribes, may be accompanied by poverty and marginal political power. Wealthy businessmen may be looked down upon for their mean social origins. Ulama may have considerable political influence but little economic standing. Second, the contours of class stratification differ considerably from one country to another. While badu heritage and the weight of the ulama in Saudi Arabia are of considerable social and political importance in Saudi Arabia, they do not apply nearly so strongly in Oman.

Ruling families are placed at the top of the paradigm for obvious reasons. They are the only elite into which members must be born. Always possessing high social status, these families have seen their monopoly of political power enhanced during the oil era and in latter stages of modernization have gained importance as an economic class because of the willingness of individual members to exploit their role in the allocation of state income, their increasing involvement in commerce, and their spending power.

The cluster of secondary elites immediately below the ruling families owe their status to a mixture of social, economic, and political criteria, the mixture depending on the individual group. They differ from ruling families in that the power of the latter derives from their ability to make and carry out decisions (and to coerce if necessary), while the power of the secondary elites is in their capacity to prevent the rise of issues and decisions threatening their position and influence.

The component groups of the secondary elite fall into two categories: traditional elites (senior ulama and shaykhs) whose status and position antedates

the oil era but whose influence generally is either static or declining; and "modern" elites whose appearance relates directly to new opportunities and needs brought about by the oil era and whose penetration of the elite tends to be dynamic and

CLASS STRUCTURE OF THE ARAB GULF STATES

1. Ruling Families

2. Secondary Elites

- A. Senior ulama
- B. Tribal shaykhs
- C. Economic elite (established merchants, bankers, industrialists)
- D. Senior government officials

3. Middle Classes

- A. Professionals (doctors, engineers, architects, professors, teachers)
- B. Mid-level government employees
- C. Small merchants, company managers and executives
- D. Army officers
- E. Religious establishment

4. Lower Classes

- A. Badu
- B. Urban "proletariat"
 - 1. Newly sedentarized badu
 - 2. Long-resident "immigrants"
 - 3. "Origin-less" groups (e.g. pearl-divers, slaves and descendants)
- C. Rural groups and peasantry

5. Other Groups Falling Across Class Lines

- A. Women
- B. Shia
- C. Expatriates
 - 1. Upper (professionals, government advisers and officials)
 - 2. Middle (professionals, company managers, teachers, midlevel government employees)
 - 3. Skilled and unskilled labor

growing. A "modern" elite (with traditional elements) that has made the most of expanded opportunities is the economic elite, composed of both long-established merchant families and newcomers who made their mark in the 1960s and the 1970s. The newest addition is that of senior government officials who have risen to their positions because of ascriptive qualities. They are principally a political elite, since they typically do not come from elite social origins.

The intermingling of social, economic and political aspects of class render it difficult to draw distinctions between elites and constituents. Groups classifiable as middle class tend to be self-evident for the most part, although class size and boundaries are somewhat amorphous. Clearly, such factors as income, education, occupations and careers, lifestyles, values, consumption patterns, and common interests are important considerations in determining membership. Mid-level government bureaucrats and technocrats logically comprise the heart of the class, since their numbers have mushroomed with the growth of government and their advancement depends the most of any group on their personal qualifications. Other groups include military and police officers, professionals, small merchants and company managers. Although the middle classes tend to be a "modern" creation, the "rank-and-file" of the religious establishment (comprising qadis, imams, khatibs and Islamic teachers), formerly part of the elite, should also be included.

Difficulties arise as well in drawing a dividing line between middle and lower classes, not least because of great variances between included groups in terms of social status, economic prosperity, and political influence. While, in economic terms, the lower classes seem to be shrinking in size, the absence of any government policy of redistribution or income transfer indicates that lower class distinction will be perpetuated into the foreseeable future. While representing only a small proportion of the population, the badu are important for historical, cultural, and social reasons. Along with the ruling families, their acceptable social status arises from birth and cannot be altered. Sedentarized badu have come to form a major component of the urban "proletariat," along with long-term "immigrants," who have resided long enough

to have acquired citizen status and partially assimilate, and the residue of population lacking social "origins." The category also includes other rural groups and peasantry, principally tribal or Shia agriculturalists.

In addition, there are several identifiable groups whose membership cuts across class lines. While women obviously belong to all social strata, their changing status in male-dominated societies gives them a group identity akin to other minorities. The Shia, as the largest indigenous minority in what are principally homogenous societies, also transcend class and ethnic lines. Their ranks include well-established merchant families, small shopkeepers, and white-collar employees of oil companies, as well as the rural masses of Bahrain, al-Qatif and al-Hasa.

Expatriates must be considered as part of the class structure because of their permanent presence and importance to the economies of the Gulf states. The class/caste distinction between the indigenous "aristocracy" and the other classes is inviolate because of the near-impossibility of getting GCC citizenship. The expatriate population itself is heavily stratified. The admittedly small upper level is comprised of government advisers and some professionals, while larger numbers are middle class, including professionals, company managers, teachers, and mid-level government employees. The largest group consists of skilled and unskilled labor.

Changing Outlooks In Successive Generations

The progress of social change in the last few decades can be charted through its impact on four successive generations with evolving characteristics and outlooks. It should be stressed that generation in a genealogical sense is not meant here but simply distinctive--and somewhat overlapping--age groups. Furthermore, all six GCC countries are not strictly comparable in chronological terms since exploitation of oil occurred at different dates and thus the appearance and passing of specific generations are not simultaneous across national boundaries.

The pre-oil generation, by definition already passed from the scene, displayed traditional social stratification and goals and values. There was a clear predominance of the oligarchy of ruling families and traditional elites and only minuscule middle classes in some urban settings. Social mobility was limited, and prosperity was not the rule even among the elites. The state at that time was minimalist in its capabilities, while control over the population and popular expectations of its role were minimal.

The transitional generation's attitudes and worldview were shaped during the pre-oil era of traditional society and minimalist states. For many, the breakdown of traditional economic patterns has meant dependency on the state for social services, welfare payments, and disguised assistance in such areas as a monopoly of taxi ownership or rental income from real estate. At the same time, they retain a sense of equal footing with old and new elites and the state for them does not have such an omnifarious image or impact. Their loyalty is not as automatic as for succeeding generations, but must be cajoled by pointing out the less desirable alternatives present in states nearby.

This generation, obviously, experienced the first changes in relations between classes. Ruling families began to differentiate themselves from other elites politically and even socially, sparking stratification into "nobility" and "gentility." The newer secondary elites began to appear. Merchants became dependent on the state for the protection of their commercial interests, sought favors from the state through the flow of public funds to the private sector, and also sought government participation in financial and industrial ventures for protection and a guarantee.³ The first fruits of policies of higher education produced the tentative emergence of senior government officials as a non-ascriptive elite. The emergence of an indigenous middle class,

³ Suhail K. Shuhaiber, "Political Development in Kuwait: Continuity and Change in an Arab Independent Gulf State" (unpublished Ph.D. thesis, St. Catherine's College, University of Oxford, 1981), pp. 86-87.

however, was retarded by the explosion of expatriates, who performed nearly all the necessary functions in the state apparatus, and the vitiating effect of social welfare policies.

Secondary elites, particularly the established merchant families and some ulama unsuccessfully challenged the political monopoly of the ruling families. In reaction, ruling families encouraged the expansion of some sectors of the lower classes, especially the badu, and directly utilized them as supporters against challenges from other classes. This was clearly visible in Kuwait where the nationalization of thousands of badu ensured government control over elections to the National Assembly.

Oil-boom Generation. The decade of the 1970s was an unsettling period for Gulf economies and societies alike. The guiding strategy of oil-income distribution was an attempt by governments to provide the highest possible incomes, either through direct aid (as in government housing, road-building, establishment of schools, provision of employment, the guarantee of medical treatment abroad) or through indirect contributions (the purchase of land at uneconomic prices and maintaining monopolies on imports and the distribution of goods and services). These policies stimulated demand for services, and the population's attitude shifted from accepting these services to demanding more of them. The value of work and production was lost and instant wealth became an end in itself. Social problems and stratification were amplified by the failure of economic growth to distribute benefits equally. Economically, the elites and middle classes became tied closer to the West.⁴

⁴ Mohammad Rumaihi, Beyond Oil: Unity and Development in the Gulf (London: Al Saqi Books, 1986), p. 42. This effect is analyzed in terms of dependency theory in Jacqueline S. Ismael, Kuwait: Social Change in Historical Perspective (Syracuse: Syracuse University Press, 1982); and Abdulkhaleq Abdulla, "Political Dependency: The Case of the United Arab Emirates" (unpublished Ph.D. dissertation, Georgetown University, 1985).

The oil-boom generation was born and raised after the impact of oil was felt but reached maturity during the 1970s. In many ways, the state has played an inordinately powerful role in shaping the lives of this generation. Governments have become the largest and the most prestigious employers. Commerce has been closely tied to the government trough. In general, this generation has grown accustomed to the omnipotent role of the state and has become dependent on the state; but it still retains some of the previous generation's healthy skepticism regarding the role of the government and the groups that run it.

The class structure in the Gulf assumed its present form and stratification in the generation of the 1970s. Ruling families enhanced their status as a social and economic elite while retaining political monopoly. The secondary elite has enlarged considerably and become more differentiated. Modern sectors of the secondary elite gained influence and size while traditional sectors either remained static or declined. The middle classes expanded rapidly and assumed increasing, if indirect, influence in the political system through their size and ubiquity in the government infrastructure and economy. The cutting edge of the middle classes prospered, because their education, skills and goals were well-suited to exploiting new opportunities through qualifications and individual initiative. The lower classes, shrinking slightly in size, became less useful to ruling families as a counterweight to the challenges of other classes.

The members of the post-boom generation have known only the modern state. Their youth occurred during the oil boom, when everything seemed possible, both in terms of personal advancement and material possessions, and the state's emphasis was concentrated on disbursing oil income to provide benefits and raise standards of living, including conspicuous consumption. But the prolonged economic recession has indicated the limits of government capabilities. Still, pressure from the economic elites, the bureaucratic self-interests of the middle class, and the consumer ethic ingrained in the post-boom generation have forced governments to continue costly policies based on fulfilling expectations of virtually free services and guarantees of

comfortable lifestyles, rather than pursuing undoubtedly painful but rational economic considerations.⁵

Higher levels of education, greater access to services, more sophisticated tastes and broader travel have led the post-boom generation to expect more out of life. At the same time, however, the seemingly unlimited opportunities for the ambitious, which existed during the oil-boom years, have been curtailed. No longer is there rapid promotion through the ranks of government to senior and prestigious positions; instead, there is considerable competition for even entry-level jobs. At the same time, the post-boom generation displays a marked reluctance to take up managerial positions in the private sector. This generation and coming ones will also find it necessary to accept jobs in locations far from home or the big cities. At some point, disappointment may well turn to frustration and then to alienation.

In class terms, the development and entrenchment of the middle class will be seen most clearly in this generation, because individuals will have the greatest need to find well-paying jobs for the lifestyles to which they have become accustomed. Entry qualifications for these jobs are continuing to rise and admission to universities is becoming more difficult. At some point, the lower strata of the middle class and/or less capable offspring from this class will be forced into vocational training and blue-collar jobs. The middle class will continue to grow and expand its influence at the expense of other classes. There is a possibility of an eventual alliance between middle and lower classes to break the oligarchic social and political power of the elites, perhaps with an emphasis on redistributive policies to close the gap between lower and middle classes. The first signs of this alliance are visible in the populism of middle-class members of the Gulf's national assemblies and consultative councils.⁶

⁵ On this point, see Rumaihi, pp. 42-43.

⁶ See J.E. Peterson, The Arab Gulf States: Steps Toward Political Participation (New York: Praeger, 1988; published with the Center for Strategic and International Studies; Washington Papers, No. 131).

To a certain extent, the concerns and limitations of the middle-class members of the post-boom generation are reflected in the ruling families. Younger generations, particularly in cadet branches, increasingly must make their mark on non-ascriptive terms and they find access to family leadership difficult because of both genealogical and generational distance. The protracted leadership of GCC states by rulers from the transitional generation may well exacerbate alienation within the family.

Directions Of Future Change

The political systems of the Gulf have coped successfully with rapid economic transformation. Social change has accompanied this transformation but at a slower pace. The real test of the Arab Gulf states will be their adaptation and responsiveness to the altered demands and expectations of evolving societies. The evolution of class structure and generational attitudes outlined above will have great impact on the maturation of the new political systems in the Gulf.⁷ This impact can be assessed by analysis of a few key indicators. The coming challenge of social change to the fledgling political systems of the Gulf most likely will be played out in the following arenas.

Change and Continuity in Social Institutions. Change in the Gulf has affected social institutions on their periphery, leaving the core of institutions intact. While the cohesiveness of the extended family may diffuse into more emphasis on the

⁷ As Hisham Nazir has noted, an all-embracing political system that is responsive to local needs and that is a part of indigenous culture is normally the last institution to evolve. This is not a historical accident, but rather a reflection of dynamics of social evolution. Many ingredients are essential to the development of a mature political system; a few of most vital are an adequate level of public education, the diffusion of power among interest groups, and an enlightened leadership. Failure of the political system to evolve, however, may lead to an upheaval that could have been avoided with more foresight. Hisham M. Nazer, "Institution-Building in Developing Countries," in Ibrahim Ibrahim, ed. Arab Resources: The Transformation of a Society (Washington: Georgetown University Center for Contemporary Arab Studies; London: Croom Helm, 1983), p. 113.

nuclear family, the obligations imposed by society on a family essentially have remained intact and the authority structure and its patriarchal nature remains basically unchanged. By extension, the fissiparous process of sophistication and specialization within Saudi society has not altered the underlying acceptance of the patriarchal system of authority. For most of the population, the usefulness of the majlis (or diwan or diwaniya) continues. They attend either as supplicants, presenting petitions for favors or grievances, or in symbolic attestation of allegiance. Others may view and use the majlis as a forum for discussion of current issues, to socialize, and to maintain contacts and show respect. The institution in this sense has not changed, even though membership may be based more on common ties established through work, age and education, and modernist outlooks, rather than family and tribal relationships.

Increasingly, Gulf nationals live in nuclear households, albeit often in clusters of relatives' houses. Such living arrangements generate a number of social implications. Men are increasingly monogamous, partly through the social pressure of appearing "modern" and partly for financial reasons, although marriages still tend to be arranged. New brides are less the drudges in large households and subject to the tyranny of mothers-in-law but have more opportunities to pursue education and careers if their husbands approve. More husbands desire educated wives and look abroad for them if they cannot find them at home. The nuclear family plays an increasingly central role in the socialization of children in a process that tends to instil conformity and docility.⁸

The press of work and new patterns of socialization erode the fabric of intrafamily relations. A few years ago, when young men first established separate households, they continued to make a point of seeing their fathers on a daily basis; increasingly, the same men point out that the lack of time and the snarl of traffic have led them to settle for telephone calls on a less regular basis. Familiar patterns

⁸ Levon H. Melikian, and Juhaina S. Al-Easa, "Oil and Social Change in the Gulf," Journal of Arab Affairs, Vol. 1, No. 1 (October 1981), pp. 79-98.

of "workaholic" husbands, bored wives seeking satisfaction in outside work, and troubled children (distracted by fast cars and easy drugs) have begun to appear in the Gulf. Western-style weekends are becoming the rule. Men, and women to a lesser extent, tend to congregate with peers more than kinship groups, and often join relatively formal majlis or diwaniya groups. Such individuals may distance themselves increasingly from the perceived backwardness of badu--while, paradoxically, continuing to extol their badawi heritage--and chafe at the special privileges of ruling families.

Education and Employment. Education is beginning to pose several related problems. Opportunities for higher education already have expanded immensely. The shift of students from universities abroad to home institutions and the swelling of their numbers increases dependence on an overwhelmingly foreign teaching and administrative staff. The service of the qualified and committed among these expatriates is lost almost as soon as they adapt to the local situation; many are second-rate. The Gulf states face a dilemma familiar to the United States: a commitment to a universal right to educational opportunities jeopardizes standards of admission and teaching quality. Ironically, the push to educating nationals at home irrespective of the cost in terms of educational quality comes at a time when the Gulf states finally have begun to pay closer attention to the quality of Western institutions which their students attend.

A more fundamental problem arises from the deficiencies in the system of Arab higher education, both in the process and the product.⁹ This has particular effect on the Gulf states because of their importation of an essentially Egyptian academic method. The commitment to excellence in education is suspect due to a pervasive absence of an intellectual or academic culture in the Gulf: the possession of a degree is regarded simply as a qualifying step to a prestigious job and little thought is given

⁹ On the crisis of Arab education, see Samir N. Anabtawi, "Arab Institutions of Higher Learning and Their Own Manpower Development," in Ibrahim, ed. Arab Resources, pp. 125-135. On its effect in the Gulf, see Rumaihi, p. 137.

to the university's role in unlocking the doors to the pursuit of knowledge and understanding.

On a more practical level, governments are becoming concerned with the emerging surplus of graduates in the liberal arts and humanities. These are small societies with limited employment opportunities. Government employment is most prestigious. As educational levels of the general population and the numbers of graduates rise, nationals increasingly are replacing "middle-class" expatriates in white-collar, middle- and high-level management jobs. But as the educational levels of the entering national work force increase and the proportion of "expendable" expatriates decreases, entry qualifications become stiffer, in terms of both the level and the specialization of education. For example, university degrees are required for employment in Qatari ministries and for officer status in the armed forces; Bahrain will not consider teaching applications without a bachelor's degree. Even if a suitable job is secured, once-automatic promotions have become more difficult since higher positions have been filled by relatively young men.¹⁰ Bahrainis, in particular, face the problem of a lack of promotion opportunities because of the relative plethora of well-qualified nationals at all levels of the government and commerce. It is becoming common for graduates in some states to wait as much as a year or two to find a good job.

Some GCC states already have reached the crossroads of deciding whether to adopt the wasteful Egyptian model of guaranteeing employment (largely in the government bureaucracy) for every graduate, or to steer students into fields of study for which there is a need. There is still scope for localization of manpower in the private sector. But at some not-too-distant point, the post-boom and succeeding generations will have to come to terms with the necessity of undertaking vocational

¹⁰ One Qatari, after receiving a Cairo B.A. and an American M.A., remarked that his small country offered only two appropriate jobs for him and that he had lost his opportunity at the choicer job because he had finished his studies six months later than the appointee.

training instead of a prestigious university degree in order to get a job. Increasingly, employment opportunities will be concentrated in the presently undesirable range between white-collar professions (for which advanced education is required) and the unskilled and semi-skilled occupations (now filled by expatriates except for a few areas favored by the badu and the urban proletariat).

Secularization and Islamic Resistance. Many of the aspects of modernization brought about by the oil era undeniably involved secularization and elements of Westernization. One need look only at such disparate examples as the construction of the education system and universities, the civil service systems, the organization of the national assemblies and consultative councils, the villa style of nuclear-family housing, the American-style shopping centers, supermarkets and fast-food joints, and more. As the oil boom rolled on and receded, however, the wholesale rush to materialism and Westernization gradually was tempered by an attempt to find indigenous roots and values.

A number of reactions to cultural pressures have been discerned: (1) isolation through fear of cultural contamination; (2) resistance by defending values and beliefs, especially by reactionary Islamic movements that call for a return to Islam and its implementation in the social, economic, and political life of the community; (3) acceptance of Western culture in Gulf (but that generally has been selective and not widely advocated); (4) a strengthening of national identity (the shift in loyalties and allegiances from tribe to state makes states less vulnerable to outside pressure than in past); (5) a strengthening of Gulf identity (especially through the GCC, which has enhanced the national awareness of Gulf peoples and strengthened their Arab-Islamic identity); (6) the search for roots (the attempt of states to preserve their cultural heritage by creating museums, restoring old buildings, reviving some handicrafts and saving unwritten folklore and customs); and (7) revitalization (the opposite pole from

a reaction of resistance, which represents a genuine attempt to revitalize the spirit of Islam and a search for authenticity).¹¹

The Gulf in recent years has been caught between two principal cultural trends: an inclination towards liberal thought and a reaction to the penetration of Western ideas and materialism in Islamic resistance. The movements engendered by such resistance call for a return to religion and its full implementation in the life of the community. The appeal of resistance to Western cultural pressures, which reactionary movements trumpet, finds fertile ground in traditional Islamic societies, where values and beliefs are an integral part of a religious system that permeates and regulates every aspect of life. Such a response is easier and thus more attractive than the opposite pole of revitalization.¹² Adherents are concerned with matters of behavior rather than belief, particularly such details as modest dress, contact between the sexes, and the eradication of alcohol and pork. Their preoccupation with literalism leads them to reject all outside ideas and influences.¹³

The agents of Islamic reactionism are less likely to be the ulama, who have been coopted into alliance with the regimes and legitimate the existing governments for preventing what is forbidden in Islam and allowing that which is permitted. Rather, Egyptian and other Arab teachers and workers have inculcated the precepts of the Muslim Brotherhood and al-Salafiya in those societies which have transformed the most, such as Kuwait and Bahrain. In Saudi Arabia, strict Wahhabi opposition to what is perceived as a wayward state continues to appeal to some conservative Saudi elements, as well as the fanatical fringe (such as seized the Great Mosque at Makkah in 1979). The kingdom is particularly vulnerable to religiously motivated criticism and its Islamic institutions (such as the Islamic universities and organs of

¹¹ Melikian, "Gulf Reactions," pp. 209-216.

¹² Melikian, "Gulf Reactions," pp. 210 and 216.

¹³ Rumaihi, pp. 106-107

international proselytizing) also serve as channels of organization for disenchanted elements within the country and for alliances with similar movements outside.

Relations Between the Sexes. In part, the growth of women's rights and opportunities is a function of the speed and extent of social change throughout the society, in a sort of "push" effect. This is complemented by a "pull" effect derived from the unmistakable need for women's full participation in the developing economy and polity. It is also a function of changing attitudes of both men (tolerance to broader roles for women) and women (insistence on broadening their roles).

Politically important indications of present and future change lie in such areas as higher education. Women are close to forming the majority of local students in most GCC universities, and a small but significant number are pursuing post-graduate degrees. The trend for women to constitute an ever-growing proportion of university-educated citizens is likely to cause enormous strain in these traditionalist societies if it continues. The sociopolitical implications go beyond simple numbers. The crossover of women into non-traditional specializations is a controversial but real possibility. The Gulf states already decry the reluctance of male students to enter a number of fields essential for development plans. There is likely to be considerable temptation to allow female students to move into such disciplines as engineering or the sciences. Given the desire of all the governments to train nationals to replace expatriates in as many jobs as possible, the state then would be faced with a dilemma: whether to place a female national in a non-traditional position or keep a male in that position even if he were an expatriate.

One consequence of the oil boom of the 1970s, coinciding with if not prompted by the economic recession of the 1980s, is a renewed social conservatism. This trend bolsters traditional attitudes toward the restriction of women to the "women's domain." Such neoconservatism is reinforced by the Islamic resurgence. Whether this resurgence is limited to a reemphasis on faith or embraces the utilization of

Islam as a political ideology (Islamic resistance), the implications for freer roles and activities for women are the same.¹⁴

Development Orientation (Distribution or Redistribution). The state (and traditional ruling elites) have been able to distribute oil revenues in such a manner as to perpetuate the political and social order because the population has been rentier and not productive. Expenditures in the early oil years, including those of a "development" nature, were oriented to the benefit of first the ruling families and then the commercial elite. The increasing sophistication of development planning has led to a capitalist bias infused with middle-class interests (since the expansion of government bureaucracy and its increasingly efficient control over planning functions has depended on first economic-elite and then middle-class officials), as long as the interests of the elites have been satisfied. The oil boom ensured that there was no problem in doing both.

But the expansion of the middle classes (especially in the post-boom generation) and the squeezes they face will generate more emphasis on productive capability and carry-through. At the same time, the sophistication of the planning process and the fine-tuning required for sustained economic growth and diversification will require greater participation of the middle classes in the decision-making process. The potential alliance of the middle and lower classes undoubtedly will lead to more demands for policies of redistribution.

Presence of Expatriates. The ubiquitous presence of expatriates in the Gulf states must be accepted as a permanent condition. While the inflow of expatriates has declined in recent years, the economic contraction has not reduced the share of expatriates in the work force. The past assumption that localization would be achieved easily, once the task of putting in an infrastructure was completed, ignored

¹⁴ For further discussion of changing roles of women, see J.E. Peterson, "The Political Status of Women in the Arab Gulf States," Middle East Journal, Vol. 43, No. 1 (1989), pp. 34-50.

the need to re-orient nationals' job preferences away from administrative and managerial positions concentrated in a few favored sectors. Meanwhile, the ability of employers to reduce labor costs by renewing expatriate contracts on less favorable terms has reduced incentives for localization in the private sector.

The Gulf states face a major dilemma. On the positive side, large numbers of expatriates are necessary to continue development programs and to maintain the infrastructure created during the last few years. Individually, nationals have an interest in keeping large expatriate populations for their impact on local consumption and trade. On the negative side, expatriates represent cultural contamination and diffusion, and economic dependency. There is a real danger of submergence in a sea of alien cultures, particularly those of northern Arabs and the West. While the impact may be clearly visible, as in the wide mix of peoples in public places, it is also demonstrated in such subtle areas as the influence of Sri Lankan and East Asian nannies in teaching young children words and phrases, folktales, songs and other religious and cultural symbols from another culture.

The last fifteen years have seen a dramatic shift from northern Arabs to Asians (the proportion of Arabs among the non-national population fell from over 75% in 1970 to just over one-half today).¹⁵ On the positive side, this shift reduces the expatriate population while maintaining a constant work force (since Arabs are more likely to bring families, thus increasing social costs). Other benefits include an increase in worker productivity, cheaper costs of labor, less likelihood of Asians to seek permanent residence, less danger of political activities, and reduced competition with the goal of localization. On the negative side, such a shift entails a diminution of Arab identity and greater problems of cultural, religious, and linguistic differences.¹⁶

¹⁵ Ian J. Seccombe, "International Migration, Arabisation and Localisation in the Gulf Labour Market," in B.R. Pridham, ed., The Arab Gulf and the Arab World (London: Croom Helm, 1988), pp. 155-156.

¹⁶ Seccombe, pp. 185-187.

Conclusions

The most significant point to note about social institutions in the Gulf is their continuity and not their change. This applies as well to the fundamental political institutions which guide the ships of state in the region. This is not to say that both political and social institutions have remained unaltered. Indeed, both have undergone potentially shattering attacks--the political system wavered under the combined assault of internal debate, weak leadership and the challenge of pan-Arabism in the 1960s while society was nearly turned inside out by the "high" of the 1970s oil boom. Both, however, recovered from these crises and appear stronger now. Their very recovery and continued utility has reaffirmed their central importance and legitimacy. This simply underscores the inappropriateness of analysis of social and political change in the Gulf in terms of a clash between traditionalism and modernization, rather than the modernization of tradition.

The Role of Saudi Military Forces in the Gulf Region

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Regardless of any political and economic continuity, the dynamics of the military balance in the Gulf area seem likely to shift significantly during the next decade. There are five key factors that are changing the threat, and the way in which Saudi and other southern Gulf forces are structured:

- The continuing threat posed by Iran and the potential threat posed by Iraq.
- The civil war in the PDRY, the discovery of oil in both Yemens, and the continuing role of the Yemens in driving the arms race in the region.
- Growing emphasis on long-range air and missile strike capabilities, and use of more lethal weapons such as poison gas.
- Changes in the nature of the Arab-Israeli conflict which have tended to localize the conflict in the near-term, but which are also driving the arms race towards longer range strike systems and the use of chemical and nuclear weapons.
- A steady build-up in Soviet military capabilities in the region, coupled with shifts in East-West relations, and in U.S. and Soviet relations with the Gulf, which seem likely to lead the southern Gulf states to establish diplomatic and military relations with the USSR, and reduce their ties to the U.S. while still retaining some degree of dependence on over-the-horizon reinforcement from the U.S.

At the same time, the regional threats to the southern Gulf states, and the build-up of Soviet capabilities must be kept in careful perspective. No regional state poses an immediate threat of invasion to any of the southern Gulf states. Most of the regional hostilities and tensions are far more likely to take the form of border wars, subversion, and the backing of coup d'etats than the form of large-scale war. Further, many of the more radical and hostile states surrounding the Gulf are as likely to attack each other, or degenerate into civil war, as pose a threat to Saudi Arabia, its neighbors, or the West. The practical problem is that the region is filled with a history of unpredictable wars which have been fought to intensities far beyond the level justified by their strategic purpose. The Iran-Iraq War is only the latest of these conflicts. The Yemens have been a constant source of civil and external conflict, and tensions caused by the Arab-Israeli conflicts may yet involve the Gulf states, or lead Syria to turn to the south or the east in order to satisfy its ambitions.

The sad fact remains that the ability to use force is still the only way to achieve security in the region, and that Saudi Arabia and the other southern Gulf states will only be secure to the extent that they and friendly states have sufficient force to halt any challenge. The fact that border wars are normally low-level wars can also be misleading. Even high technology forces normally have to deploy 10 to 20 men per guerrilla to secure a border area. Securing desert territory and urban areas can be equally difficult. The threats in the region may have many political and military limitations, but they are all too real.

Saudi Arabia's Military Role in the Gulf

The geography of the Gulf spreads the smaller southern Gulf states along the entire coast of the southern Gulf. All of these states--Kuwait, Bahrain, Oman, Qatar, and the UAE--lack strategic depth and are highly vulnerable to attacks by Iraq or Iran. It is also important to note that the geography of the southern Gulf ensures that a radical takeover of any one of the southern Gulf states might cripple both regional defense efforts and Western ability to deploy reinforcing units. Fortunately, most of the southern Gulf states seem to be relatively secure against immediate internal threats to their political security of the kind that could overthrow their

¹ It is important that the reader understand that there is no consistency in the statistical data provided on the Middle East. The author has used a wide range of sources throughout this chapter, and has often had to make his own estimates. The data on the GCC countries are, however, particularly uncertain, and the author has often had to change sources to get consistent or comparable data on a given point. This leads to the use of contradictory data for the same measurement, often because of differences in definition or time of estimate, but sometimes simply because accurate data are not available. The reader should be aware that such statistical information is better than no information, but must be regarded as approximate and should be checked with at least three to four different sources before being used for specialized analytic purposes.

present regimes, or turn them into hostile radical states. All, however, are vulnerable to outside pressure and threats unless they can count on strong outside assistance.²

None of the smaller Gulf nations can hope to succeed in defending its territory by itself, even if it uses all of its air and naval forces to defend its own airspace and waters in any confrontation with a northern Gulf power. Kuwait, Bahrain, and the UAE face particularly serious problems because of the small size of their military forces relative to the threats they face and the size of the border area and territory they must defend.

The smaller conservative Gulf states also suffer from major diseconomies of scale. They may spend a great deal on defense, but each faces special problems in building up an adequate deterrent or defense capability. Bahrain is small, relatively poor and ethnically divided. Kuwait is highly vulnerable to both Iranian and Iraqi attacks, and is an extraordinary prize since its small territory and population make it militarily vulnerable while it has massive oil and gas resources. Oman is acutely limited in the amount of modern heavy weaponry it can buy and operate effectively. Qatar is small, and has too small a native population. The defense effort of the UAE is so divided because of tensions between the individual members that it is making little progress in coalescing into an effective force. Further, the individual states in the UAE have taken very different stands about whether to organize to defend against Iran or appease it.

² The military data used in this section are based on the IISS Military Balance, 1988-1989, Eytan. The Middle East Military Balance, and the DMS data base on foreign military markets, Middle East and Africa. The naval data also draw on James Bruce and Paul Beaver, "Latest Arab Force Levels Operating in the Gulf," Jane's Defense Weekly, December 12 1987, pp. 1360-1363, and Michael Vlahos, "Middle Eastern, North African, and South Asian Navies," Proceedings, March 1987, pp. 52-64. The data on ethnic and religious divisions are taken from Heller, the CIA World Factbook, 1986; and Middle East Review, 1985 and 1986, World of Information, Saffron Walden, England, 1985. For additional background see the author's The Gulf and the Search for Strategic Stability, and Thomas L. McNaugher's "Arms and Allies on the Arabian Peninsula," Orbis, Vol. 23, No. 3, Fall 1984, pp. 486-526.

Saudi Arabia's combination of force levels and geography tells a somewhat different story. Saudi Arabia is the only southern Gulf state with sufficient military forces to crossreinforce the other Gulf states. Its geography also makes it the only state with the lines of communication and strategic depth to both make such reinforcement possible, and deploy at least some of its forces where they are safe from attack.

Saudi Arabia is not strong enough to serve as a proxy for Western military forces or as a "pillar" of Western security. It has many of the vulnerabilities of its smaller neighbors, and it can only achieve security through a combination of cooperative defense efforts with its neighbors and the West. At the same time, Saudi Arabia has the wealth and the population to act as the core of the GCC's efforts to build regional security. Further, it is large and strong enough so that Western military forces can remain over the horizon in many contingencies, and limited amounts of Western reinforcement should be adequate in most contingencies.

Saudi Defense Expenditures

The FY 1986 Saudi defense budget was planned to be 64.6 billion riyals (\$17.7 billion), or 32% of the total budget. The oil revenue deficit led to minor cuts and spending of about 64.09 billion riyals (\$17.3 billion). The FY 1987 defense budget was about 60.7 billion riyals, or \$15.78 billion. The FY 1988 defense budget, which includes the National Guard and the Interior Ministry and its police forces, was originally planned to be about 50.8 billion riyals or \$13.21 billion. This was a cut of 9.9 billion riyals or \$2.57 billion from FY 1988.³ The 1987 budget seems, however, to have risen to 60.8 billion riyals or \$16.23 billion.

³ Defense News, January 18, 1988, p. 4.

While Saudi defense expenditures in FY 1986/87 and FY 1987/88 are lower than the peak levels of \$22 billion in 1983/84, and \$22.7 billion in 1984/85, they still represent a high level of defense spending for a nation with Saudi Arabia's military forces. Even if Saudi defense budgets should drop below \$13 billion, the kingdom probably can sustain reduced spending levels for several years without harming its basic defense program. It has largely completed a \$60 billion investment in military facilities and infrastructure, and retains a relatively modern major weapons mix. Expensive as first-line major weapons and combat equipment now are, Saudi Arabia can buy its essential needs with a budget far lower than its peak past budgets.

Saudi Military Manpower

The key military problem Saudi Arabia faces is manpower. While Saudi Arabia often exaggerates its population and military manpower for political purposes, it seems fairly clear that Saudi Arabia now has a total native population of only 7 to 9 million and only about 73,500 full-time uniformed actives in its armed forces--10,000 to 15,000 of whom are in its paramilitary Royal Guards and National Guard.

Saudi Arabia's regular military forces now comprise about 63,500 men. By Western standards, it would take about 75,000 to 100,000 men to adequately man the Kingdom's current force structure. Even a full-scale draft would probably fail to give the manpower to meet its limited force expansion plans. Saudi Arabia solves this problem by:

- A heavy dependence on foreign support and technicians (now over 10,000 personnel);
- Using small elements of foreign forces in key specialty and technical areas--such as combat engineers--to "fill in" the gaps in Saudi land forces. It formerly had some 10,000 Pakistani forces to fill out one brigade (the 12th Armored Brigade) at Tabuk, and may replace these with Egyptians;⁴

⁴ These Pakistani forces will depart the Kingdom in 1988 and 1989.

- Use of French and British internal security experts;
- Selective undermanning while it builds its training and manpower base;
- Concentrating on building a fully effective air force as a first line deterrent and defense; and
- A de facto reliance on over-the-horizon reinforcement by the U.S., France, Pakistan, or some other power to deal with high-level or enduring conflicts.

These are all intelligent methods of reducing the manpower problem, but they still leave many gaps and weaknesses in Saudi forces. The limitations in Saudi military manpower are also forced on Saudi planners by Saudi demographics, by civil competition for skilled manpower--which still makes it extremely hard to retain army personnel in spite of the contraction of the Saudi economy--and by the need to maintain a 10,000 man National Guard for internal political and security reasons.⁵

None of these manpower constraints will change significantly during the next decade, and Saudi Arabia can only hope to reach and maintain a technical edge over regional threats by concentrating on the modernization and Saudization of its combat arms while continuing to rely on foreign support. The kingdom must allocate virtually all of its increasing output of skilled military manpower to operational forces and command roles, and it cannot hope to replace Western technical support.

Saudi Military Requirements

Saudi Arabia thus faces a mix of requirements and constraints which confront it with military requirements it can only partially meet. Like its smaller neighbor, Saudi Arabia must respond to the need for:

⁵ Estimates of active manning in the National Guard differ sharply. The most recent IISS estimate is 10,000 full-time actives, 15,000 semiactive reserves, and 25,000 tribal levies.

- Both direct defense against low to moderate level threats, and deterrence of higher level threats in form of forces capable of raising the threshold of risk of any attacker and/or inflicting retaliatory damage.
- The ability to deal with a very wide range of types and levels of conflict.
- Highly effective naval and air defenses, particularly along the Gulf coast and opposite the PDRY.
- Sufficient close air support and interdiction capability to compensate for weak land forces.
- Sufficient naval and naval air capability to protect the coast and key facilities against air and naval attack, while helping to defend shipping of all kinds.
- Enough land forces to allow an emphasis on air and naval forces to be effective.
- Air and missile strike capabilities adequate to inflict enough damage on enemy cities, oil facilities, and shipping to deter long-range air and missile strikes through the threat of retaliation.
- Eventual expansion of such strike capabilities to a level adequate to deter chemical and/or nuclear attack. Such retaliatory capability is necessary since no defense systems are currently available which are adequate to deal with such threats and developmental missile defenses are beyond current regional technology-transfer capabilities.
- Tactical mobility and lift for all forces which are capable of rapid cross-reinforcement of all areas of the kingdom and neighboring Gulf states.
- Sufficient sustaining capability to allow prolonged engagement with well-supplied threat forces without becoming politically dependent on outside nations.
- Use of advanced and centralized sensor and C³I systems to maximize the capability of high-technology weapons systems and to serve as a partial substitute for insufficient unit strength, problems in force quality at the unit level, lack of command experience, and lack of experience in combined arms and combined operations.
- High-technology advance weapons systems to help compensate for inadequate unit strength and to maximize the effectiveness and value per dollar of key force elements.

- Exceptionally large and survivable basing, support, and infrastructure facilities to enhance survivability, tactical mobility, and cross-reinforcement capability, and to use passive defense as a substitute for mass and active defense.
- High capability training and support facilities, and dependence on large numbers of foreign technicians and civilians, as a substitute for native uniformed military manpower and to reduce technology transfer problems.
- Credible over-the-horizon reinforcement capability as a means of meeting high-level or high lethality threats such as an all-out attack by a Northern Gulf state, support of a Northern Gulf state in resisting Soviet pressure or invasion, failure of a key force element, defense against new high-technology threats, and defense against attacks on multiple fronts.
- Dispersal of combat forces to the border areas of the kingdom to limit the ability to conduct a coup d'etat with the National Guard and army acting to counterbalance each other, and the Saudi Air Defense Corps acting as a check and balance to the Saudi Air Force.

These requirements help explain the trends in Saudi forces. Saudi military modernization cannot be based on a conventional approach to military spending or the use of military manpower. It must be based on slowly evolving the ability to operate a limited number of high-technology forces, on a high degree of dependence on other states, and on giving priority to the services and equipment which can most rapidly strengthen Saudi Arabia's deterrent and defense capabilities.

Saudi Ground Forces and the Air Defense Corps

The Saudi Army is now in a state of transition towards a mix of French and U.S. Army equipment, with a total of about 550 main battle tanks. The Saudi Army must now concentrate on filling out its present paper strength of two armored, four mechanized, and one airborne brigades, plus one Royal Guards regiment. It would, however, like to expand to at least 11 brigades by the late 1990s or early 2000s.

The Saudi Army only had a total of 38,000 men in late 1988. It is undermanned by about 30 to 50%, and has significant problems in retaining skilled technicians and NCOs. Even by Gulf standards, an eleven-brigade force would require a minimum of 110,000 to 150,000 men, and the Saudi Army will be hard pressed to build up to more than 60,000 men before the mid-1990s.

The manpower problems in the Saudi Army will be compounded by its need to operate a complex mix of different equipment from many different nations. The end result of the diversification of its sources of army equipment has been to double its life cycle costs and training and support burden. These problems have been increased by a combination of politically oriented purchases from its major oil customers and the inability to obtain a consistent supply of equipment from the U.S. because of internal U.S. domestic politics.

Much of the equipment the Saudi Army has purchased has required modification or changes to its original technical and logistic support plan before it could be operated in large numbers, and some key items still present major servicing problems. These problems have been compounded by the need to disperse most of the army's combat forces to three distant corners of the kingdom, by the erratic quality of contractor support, and by an overly ambitious effort to create a modern logistical system that has lacked proper Saudi and U.S. advisory management.

The Saudi Army's mix of different types of armor has been a particular cause of such problems. The 150 U.S. M-60s are being converted from M-60A1s to M-60A3s. This will give them thermal sights, much better fire control computers, laser range finders, and engine and air intake improvements. The M-60s have proved reasonably reliable and effective, but the crew compartment cannot be cooled effectively and the M-60 can develop internal temperatures of well over 120 degrees.

Saudi Arabia's 400 French AMX-30s have presented more substantive problems. They lack the armor, firepower, and operational availability to be kept in

service much past the 1980s. The AMX-30 has relatively light armor and is not competitive with any of the newer Soviet and Western-made tanks now being deployed in the region (e.g., T-62/72/80, M-60, Khalid, Merkava, Chieftain, and Challenger). While the adoption of newer antiarmor round technology has made up for the lack of penetrating power in the Obus G Rounds that France originally sold the Saudi Army, the AMX-30's fire control and range-finding capability is inadequate to help Saudi tank crews make up for their lack of experience, and the AMX-40 lacks the power, cooling, and filtration for desert combat.

It is still unclear where Saudi Arabia will buy its new armor. Saudi Arabia announced in February 1988 that it had short-listed the M-1A1 and EE-T1 Osoro for some form of coproduction in a purchase that might involve some 315 vehicles and a \$1 billion contract. One main issue was U.S. willingness to release the M-1A1 with a 120mm gun. Another was the fact that the Brazilian Osoro existed only in prototype form and production could not begin until 1990 at the earliest.⁶

The other armored fighting vehicles in the Saudi Army include 200 AML-60 and AML-90 reconnaissance vehicles, 350 AMX-10P mechanized infantry combat vehicles, and 800 M-113, 30 EE-11 Urtu and 130 Panhard M-3 armored personnel carriers. Saudi Arabia has ordered 200 Bradley M-2 Armored Fighting Vehicles with TOW-2 missiles and 25mm cannon at a cost of \$500 million. It has shown strong interest in the M-2 because its speed, protection, and firepower allows it to outmatch the Soviet armored fighting vehicles in most potential threat armies, all of which have far better protection and firepower than the U.S. M-113 armored personnel carrier. Saudi Arabia is also examining purchases of other armored vehicles from Brazil, Britain, France, and the FRG.⁷

⁶ Jane's Defense Weekly, February 6, 1988, p. 191.

⁷ Defense News, February 22, 1988, p. 3.

The Saudi armed forces need to implement their plans to improve air defense, artillery, and helicopter strength as quickly as possible, but they are likely to have serious problems in all three areas.

The creation of a separate Saudi Air Defense Corps to provide fixed and mobile land-based air defense of key targets throughout the kingdom was intended to create a more professional service, and to reduce the manpower quality and leadership problems that emerged when these air defense forces were subordinated to the army. It now has some 33 surface-to-air missile batteries: 16 batteries with 128 Improved Hawk fire units, and 17 batteries with 68 Shahine (Crotale) fire units and AMX-30SA 30 mm self-propelled guns.⁸ It also has 73 static Shahine units for the defense of air bases and key targets. There are a total of 128 Improved Hawk fire units, 141 Shahine fire units, and 180 AMX-30SA anti-aircraft guns in Saudi inventory. The Air Defense Corps also has 100 M-163 Vulcan 20 mm anti-aircraft guns.⁹

This organization should eventually lead to improvements in the corps, but it has been slow to acquire the quality of manpower it needs. Unfortunately, an initial U.S. contractor effort to improve the integration of the Saudi Air Defense Corps' Improved Hawks, Shahines (Improved Crotale), anti-aircraft guns, and land-based radars and C³I systems has also failed to be effective.

The existence of a separate Saudi Air Defense Corps does help reduce the chance of any kind of coup attempt by creating a separate check on air force operations, but its ability to fight in defensive positions against superior forces will depend heavily on the quality of its air cover, the ability of the Saudi Air Force to link its operations with those of the army, and its ability to provide close air and interdiction support. It seems unlikely that the Saudi Air Defense Corps can hope

⁸ The Hawks are MIM-23Bs.

⁹ IISS, Military Balance, 1988-1989, p. 112.

to do more than properly integrate its Hawk defenses before the mid-1990s, and create a few effective mobile Shahine units.¹⁰

The Saudi Army has 18 anti-aircraft artillery batteries. They are equipped with a limited number of Stingers and 500 obsolescent Redeye manportable surface-to-air missiles. They also have M-42 40 mm self-propelled and 15 M-117 90 mm towed anti-aircraft guns. The Saudi National Guard has 30 M-40 Vulcan 20 mm anti-aircraft guns. This is a relatively limited air defense capability to deal with any threat from the north or the west. The Air Defense Corps is not a force that can easily support the army in mobile operations, and Saudi land forces will have to be far more dependent on air power than the strength of their land-based air defense forces indicates, and will need systems like Stinger which do not require sophisticated training or full integration into the new Saudi "Peace Shield" air defense system.

The Saudi Army has an excellent mix of small arms, light weaponry, and anti-tank weapons. These include TOW, HOT, and Dragon anti-tank guided missiles, many of which are mounted on VCC-1 or AMX-10 armored fighting vehicles. It also has 450 Carl Gustav rocket launchers, and 75 mm, 84 mm, 90 mm and 106 mm rocket launchers and recoilless rifles. It ordered 4,460 TOW-2 anti-tank weapons in April 1987.

The Saudi Army does, however, have serious problems in making its artillery properly effective. It has now acquired suitable numbers of modern types, including six Astros II multiple rocket launchers, 224 M-109 and 51 GCT 155 mm self-propelled howitzers, 24 Model 56 105 mm towed howitzers, and 106 FH-70 and M-198 155 mm towed howitzers. It is steadily acquiring better mobile fire-control and ammunition-supply equipment. It seems likely, however, that Saudi Army artillery

¹⁰ The Saudi Air Defense Corps renewed its contract for technical assistance support from Raytheon for its IHawk surface-to-air missiles in May 1986. This contract has been running since 1976, and was renewed for three years at a cost of \$518 million. Jane's Defense Weekly, 7 June 1986, p. 1019.

capabilities will suffer from major manpower quality, and some mobility and support, problems well into the 1990s.

The Saudi Army's search for helicopter forces raises different issues. The Saudi Army is now deployed nearly 600 miles from the kingdom's main oil facilities in the Eastern Province, and even though the combat elements of a brigade are now deploying to the new Saudi Army base at King Khalid City near Hafr al-Batin, the Saudi Army will still be dispersed so that roughly one third of its strength is deployed at the ends of a triangle reaching to Saudi Arabia's borders with the angles located at Tabuk, Hafr al-Batin, and Sharurah-Khamis Mushayt.

Helicopters offer a limited solution to this problem. They can both provide rapid concentration of force and allow Saudi Arabia to make up for its lack of experience in large-scale maneuvers. It is far from clear, however, how Saudi Arabia can absorb or support large numbers of attack and troop lift helicopters it needs, or the kind of advisory and technical support required. The Saudi Army has obtained U.S. permission to buy 13 Blackhawk helicopters and 15 Bell 406 Helicopters. It has studied long-term plans for developing a helicopter force using a total of 60 to 100 U.S. AH-64 attack, Blackhawk utility and support, and Chinook CH-47 transport helicopters from the U.S. by the mid-1990s. Its growing political problems in obtaining weapons from the U.S. seem to have led it to turn to Britain, however, and the purchase of 88 Westland Black Hawk helicopters. Roughly 80 of these are attack helicopters with TOW-2. The rest are configured for SAR missions.

Saudi Arabia is also examining the purchase of attack and support helicopters from Italy, France, and a Franco-German consortium. The U.S. Army is probably the only force that could support such a purchase with the mix of conversion, training and service capabilities the Saudis need, but such a purchase again opens up the problem of military relations with the U.S. and U.S. domestic politics. If these political barriers again block such a sale, the U.S. Army could lose precisely the kind of forward interoperable weapons and support capabilities it needs to make

USCENTCOM effective, while Saudi Arabia will be forced to turn to France or the FRG for similar weapons.

Regardless of these future purchases, the Saudi Army will not be large enough to concentrate significant forces on a given front unless it can move forces from another major military city, and all the way across Saudi Arabia. This would take a minimum of a week to ten days. Even then, Saudi Arabia will lack the massive armored forces of its stronger neighbors.

Training has been a problem in the past, and will continue to be so. Many of the Saudi Army's training plans have not been executed, and maneuver training has been poor. The army's mix of U.S. French, German, Spanish and British equipment presents major conversion problems, and the army has been much slower in providing the trained manpower necessary to absorb such equipment than the Air Force. Once again, this highlights the fact that the Saudi Army must depend on Air Force support to help make up for its own deficiencies.

The Saudi National Guard

Saudi Arabia must divide its manpower between the Army and the National Guard. Although the National Guard's future structure will depend upon the complex politics within the Saudi royal family following King Fahd's death, the Saudi National Guard seems likely to remain a lightly armed internal security force whose main mission is to ensure the loyalty of Saudi Arabia's traditional tribes.¹¹ At the same time, the national guard will use at least 10,000 men, or about 30 to 40 percent of the kingdom's active trained military manpower, in a para-military force that is far

¹¹ For an interesting Israeli view of the role of the National Guard, see Mordechai Abir, "Saudi Security and Military Endeavor," The Jerusalem Quarterly, No. 33, Fall 1984, pp. 79-94.

more suited to internal political and security needs than to creating an effective deterrent or defense against outside threats.

The Guard is now equipped with 240 V-150 Commando wheeled armored fighting vehicles which have a number of different configurations, including antitank guided missile carriers, cannon turrets, and main guns. It also has 50 M-102 105 mm towed artillery weapons, TOW antitank guided missiles, 106 mm recoilless rifles, a limited number of helicopters, and 30 M-40 Vulcan 20 mm antiaircraft guns.

While the National Guard's current purchases do not seem overly ambitious, and the Guard is now better trained and deployed, it cannot absorb large numbers of heavy arms. Even if it is given them for political reasons, the National Guard will continue to have little value as a regular combat force. In fact, the greatest single uncertainty in the Saudi military modernization process is whether the National Guard can be effectively trained and equipped to deal with terrorism and para-military threats, and what role the army, air force, and navy should play in aiding it in this mission.

The National Guard began to hold significant training exercises for its first 6,500 man Mechanized Brigade, the Imam Mohammed bin Saud Brigade, during the early 1980s. It has established a brigade-sized presence, and a limited oil field security force in the Eastern Province. The Mohammed bin Saud brigade held its first major exercise in the desert about 250 miles west of Riyadh in early 1983. While it continues to experience problems in translating tribal into regular military discipline, and the force was well below its authorized manning level, the maneuvers were relatively successful. Units moved from as far away as the Eastern Province, and the key mechanized elements performed relatively well.

The National Guard formally inaugurated its second mechanized "brigade" in a ceremony on March 14, 1985. This new unit was called the King Abd al-Aziz Brigade, and was formed after another relatively successful round of set piece

exercises called "Al Areen" near Bisha. Prince Abdullah then spoke of expanding the Guard to 35,000 men, and of building up to three mechanized "brigades" by 1989. While each of the present Saudi "brigades" have a strength closer to two reinforced motorized infantry battalions by Western standards, rather than the four shown in the Saudi order of battle, they would have modern infantry support and antitank weapons.

Nevertheless, the bulk of the guard remains a traditional tribal force. It is dominated by the 11,000 to 15,000 men in its firqa (full-time tribal) and 25,000 men in its liwa (part-time irregular tribal levy) units. Many of its "troops" are actually retired military, descendants of the troops that fought with King Abd al-Aziz, or the sons or relatives of tribal leaders.

These limitations in the guard may not be critical, given the fact it has a political and internal stability mission, as well as a military one. It is deployed to secure many of Saudi Arabia's key facilities in a way that would limit the ability of the army to conduct a coup, and its leaders are carefully chosen for their loyalty to the regime. It uses rival factions to counterbalance any attempt to seize control of the guard, and provides a means through which the royal family allocates funds to tribal and Bedouin leaders more than a modern combat or internal security force. The Guard helps key princes maintain close relations with the tribes in each region. It has not evolved into a force that can deal with urban disorder, oil field security problems, or border security problems, although it can do a good job of dealing with ethnic and tribal divisions.

This makes the guard politically vital to ensuring the integration of Saudi Arabia's tribes into its society, but it does not mean the guard has found a clear military mission, or can adequately defend Saudi oil fields or other critical facilities against any well-trained or sophisticated threat. The guard's current force structure and equipment also fails to provide air mobility and the specialized units necessary to deal with urban warfare and terrorist activities. Such specialized forces might

come from the army and air force, but there seem to be no clear plans for this. If anything, creating new 8,500-man internal security forces under the Ministry of Interior--including a small heliborne antiterrorist force--means that there is yet another force competing for a role and manpower. This competition may be stiff since the Ministry of Interior forces are under Prince Nayif, who is King Fahd's full brother and a member of a competing branch of the royal family.

The lack of a clear thrust behind the guard's modernization also means that Saudi Arabia is not doing an adequate job of preparing for the low-level military threats that may be more dangerous on a day-to-day basis than the major military threats building up on its borders. French and other external aid can help in the interim, as can the small security units being built up under the Ministry of the Interior, but the guard does more to weaken the army's manpower pool than provide an added source of military capability. This again increases the importance of the air force in providing the reach, reaction capability, and firepower missing in Saudi ground forces.

The Saudi Navy

The 7,800-man Saudi Navy has eight frigates, 13 patrol and coastal combatants, four mine-warfare ships, 16 amphibious craft, and six support vessels. It also includes a small 1,200-man marine force organized into a regiment, and equipped with 140 BMR-60Ps. It has good equipment, but it has limited capability to absorb it all. The Saudi navy has made significant progress in recent years, but it faces a decade of expansion before it can become a true "two-sea" force capable of covering both Saudi Arabia's Gulf and Red Sea coasts. Even then, it will depend heavily on air support, and will be dependent on reinforcement by USCENTCOM and the British, French, and/or U.S. navies.

The Saudi Navy is now completing the construction of two major, fully modern naval bases at Jiddah and Jubail. When it deploys fully to the Red Sea, it will be divided into a Western Fleet with its main facilities at Jiddah and an Eastern Fleet with its main facilities at al-Qatif/Jubail. The Navy will also have facilities at Ras Tanura, Dammam, Yanbu, and Rasal-Mishab.¹² The Saudi Navy has taken delivery on all the major frigates and support craft it ordered earlier in the 1980s plus 24 missile-equipped helicopters.¹³ It has been seeking to expand its manpower from 7,800 to 10,000 men, and has been examining the possible purchase of mine vessels and mine-hunting helicopters, submarines and ASW aircraft.

The major deliveries under the U.S. phase of the Saudi naval expansion effort have been completed for several years. The U.S. delivered nine patrol gunboats, missile (PGG) craft, and four larger patrol-chaser missile (PCG) craft which the Saudis class as frigates.¹⁴ It also delivered four coastal minesweepers from the U.S., two large harbor tugs, two utility landing craft, and eight LCM-6 mechanized landing craft. Other U.S. deliveries include Harpoon missiles, Mark 46 torpedoes, and ammunition for the Saudi Navy's 76 mm guns and other weapons. The kingdom also took delivery on three Dammam-class torpedo boats from the FRG, with four 533 mm torpedo tubes each.

Saudi Arabia turned to France in the early 1980s as the major source of its naval ships and weapons because of dissatisfaction with the U.S. Navy effort and because it felt French ships were better suited to its mission requirements. The

¹² The sources for the analysis of the Saudi Navy also include James Bruce and Paul Bear, "Latest Arab Force Levels Operating in the Gulf," Jane's Defense Weekly, December 12, 1987, pp. 1350-1361; and Michael Vlahos, "Middle Eastern, North African, and south Asian Navies," Proceedings, March 1987, pp. 54-55.

¹³ These include 20 AS-365N Dauphin Helicopters with AS-15TT air-to-surface missiles, and 4 search and rescue versions of the same helicopter.

¹⁴ They are Tacoma-class ASUWs, with 2X4 Harpoon launchers, and 2X3 ASTT (Mark 45 light-weight torpedo launchers).

Saudi Navy signed its first major contract with France in 1980 in an effort to accelerate its modernization, obtain better support, and obtain more advanced ships than it could get from the U.S. It signed a modernization package costing \$3.4 billion, and then signed another contract that effectively made the French the primary future source of support and modernization for future Saudi orders. This follow-on French program, which began in 1982, is called Sawari (Mast) I. It has reached a minimum value of 14 billion French francs, or \$1.9 billion, and may have escalated in cost to \$3.2 billion.

France delivered four missile-equipped 2,000-ton frigates by August 1986.¹⁵ It has delivered two modified Durance-class fuel supply/replenishment vessels, Otomat missiles for the frigates, 24 SA-365F Dauphin 2 helicopters (20 missile-equipped and 4 SAR-equipped), AS-15 missiles for the helicopters, and additional training services. The Otomat is the longest-range antiship missile in Gulf service, with a range of 160 kilometers. Saudi crews trained in France to operate the vessels and helicopters.

The Saudi Navy has since considered plans for the new Sawari II program, which could cost an additional \$1.6 to 2.12 billion. Prince Sultan first met with France's President Francois Mitterrand and Defense Minister Charles Hernu to discuss this program in May 1983. The program would provide at least two more 2,000-ton frigates and possible 4,000-ton frigates as well. It may include mine-sweeping helicopters and maritime patrol aircraft as the first step in the procurement of a much larger force. Other equipment may include lift and troop-carrying helicopters, surveillance and intelligence equipment, and special-warfare equipment. The program has not been agreed to, largely because of funding problems and changing near-term priorities. Saudi Arabia, however, has ordered 12 Super Pumas and 12 more patrol boats from France.

¹⁵ These are French F-2000 class vessels with 4X533 mm and 2X406 mm ASTT torpedo launchers, one Dauphin helicopter, one 100 mm gun, and 8 Otomat 2 missile launchers.

Saudi Arabia's short-term plans to expand its naval forces now seem to center on its mine warfare units. Saudi Arabia agreed to lease two Hunt-class mine vessels from Britain in July 1988 and has placed a tentative order for six to eight Vosper Sandown-class MCMVs as part of its \$18 billion al-Yamamah 2 program.¹⁶ The Saudi Navy, however, may still be considering purchase of French-built Tripartite minehunters. The Saudi order sets an interesting precedent since Kuwait, Bahrain, Oman, Qatar, and the UAE are also actively examining orders of the Sandown or Tripartite mine warfare vessels.¹⁷

Saudi Arabia feels its mine warfare program is so important that it may defer plans to buy coastal submarines. Nevertheless, Saudi Arabia has sought to buy six to eight submarines, and has discussed program costs of up to \$1.5 billion to \$3 billion. Saudi Navy representatives visited several European manufacturers in 1986 and 1987--including the builders of the Walrus-class boats in the Netherlands, Vickers Type 2400 in the U.K., and ILK 209/2000 and Kockums 471 in West Germany.

Saudi Arabia is also considering an order for two AMD-BA Atlantique 2 (ANG) maritime patrol aircraft, and is discussing the order of two more Atlantique 2, Fokker F-27 Maritime Enforcers, or Lockheed P-3 Orions as part of a GCC maritime surveillance force. This order, however, is largely to provide coverage for the rest of the southern Gulf as a supplement to the Saudi E-3As, and depends on GCC cooperation and funding and this has not been forthcoming. Its future is uncertain.¹⁸

Saudi Arabia has a valid need for both mine warfare and MPA aircraft, but the requirement for submarines is dubious at best. There is no immediate submarine

¹⁶ The Sandown class ships are 500-ton mine hunters with glass reinforced plastic hulls, Type 2903 Variable Depth Sonar, remote control mine disposal systems, and Plessey NAUTIS-M command control and navigation systems.

¹⁷ Jane's Defense Weekly, July 16, 1987, p. 58.

¹⁸ Jane's Defense Weekly, December 12, 1987, pp. 1360-1361.

threat, and it is unclear how the Saudis could make cost-effective use of submarines as a strike force or retaliatory threat, given the size of their air force.

Saudi naval facilities are excellent. The Saudi Navy's bases are exceptionally capable and well stocked. The main bases will eventually have up to five years of stocks on hand, and will have initial deliveries of two years' worth of inventory. The Jubail base is now the second largest naval base in the Gulf and stretches nearly eight miles along the coast. It already has its own desalinization facility, and is designed to be expandable up to 100 percent above its present capacity.

The Saudi Navy is procuring an automated logistic system similar to that in the other services, and with extensive modern command and control facilities. This system became operational, along with hardened command centers at Riyadh, Jubail, and Jiddah, by the end of 1985. It is acquiring automated data links to the E-3A, and the ability to obtain data from the E-3A AWACs as it operates in the ocean surveillance mode. Other U.S.-designed facilities include a meteorology laboratory, a Harpoon missile and Mark 46 torpedo maintenance facility, an advanced technical training school, and a Royal Naval Academy.

Regardless of how it deals with these issues, the Saudi Navy will be a very powerful force in terms of equipment. It will create a two-fleet force with ocean surveillance, coastal defense, anti-air, anti-surface, and anti-submarine capabilities and some of the most modern equipment in the world. The Saudi Navy, however, is unlikely to meet its goal of 4,500 men by the mid-1990s. Further, its equipment mix requires a force of at least 8,000 men, and probably close to 15,000. It is already having problems operating its new French frigates, although it has gradually become fairly effective in operating its U.S.-supplied vessels. Even with automation and foreign support, the Saudi Navy will not be able to operate much of its equipment effectively before the mid-1990s.

The Saudi Navy will also be in for serious "indigestion" problems during 1989-1995. It should be able to use some of its major combat ships effectively, and counterbalance the limited surface capabilities of regional powers like Iran, Iraq, South Yemen, and Ethiopia--all of which have severe naval readiness and modernization problems of their own. At the same time, the Saudi Navy will not be able to absorb what it already has on hand or in delivery, and new orders will simply increase the overload.

The Saudi Air Force

Saudi Arabia has given its highest priority to the expansion of the Saudi Air Force. The air force now has 16,500 men, and 11 combat squadrons with 182 aircraft. These include five fighter ground/attack squadrons with 3/63 F-5Es and 2/20 Tornado IDS. They also include three interceptor squadrons with 45 F-1Cs, a reconnaissance squadron with 10 RF-5Es, and an airborne early warning squadron with five E-3As. There is a multi-purpose squadron with 22 F-5Fs, 15 F-5Bs, and 17 F-15Ds, which has both a training and combat mission. The combat forces are equipped with modern munitions, including AIM-9L and AIM-9P infrared guided missiles, AIM-7F Sparrow radar guided missiles, and AGM-65 Maverick air-to-surface missiles. Saudi Arabia has also bought MQM-74C Chukar II remotely piloted vehicles for reconnaissance and target acquisition.

The support units in the air force include a tanker squadron with eight KE 3As, and three transport squadrons with 35 C-130E/Hs, 8 KC-130s, 2 VC-130Hs, 9 L-100-30HSs, 5 CN-235s, 35 C-212s, 2 Learjets, 2 C-140s, and 2 Gulfstream IIIs. There are two helicopter squadrons with 25 AB-206Bs, 15 AB-205s, 29 AB-212s, and 17 KV-107s. There are 69 jet and turboprop training aircraft which are capable of performing COIN and light attack functions with machine guns, cannons, and rockets.

The Saudi Air Force offers the fastest increase in deterrent capability per dollar and unit of skilled manpower. It is the only service that can cover Saudi Arabia's 2.3 million square kilometers of territory. It represents the investment most capable of cross-reinforcement of the other services. It also has the most impact in terms of regional prestige, and the most credibility in terms of being able to support other GCC states or to operate with USCENTCOM forces in a major crisis.

The Saudi Air Force is backed by excellent foreign support. During the 1970s and early 1980s, Saudi Arabia was able to draw on U.S. Air Force and contractor support to create some of the most modern air facilities in the world. No U.S. or NATO base has sheltering or hardening equal to the Saudi bases at Dhahran and Khamis Mushayt, and similar facilities will be built at all of Saudi Arabia's main operating bases.

Saudi Arabia now performs most of the support and service for its Lockheed C-130s, and its F-5E/F units have also reached proficiency levels approaching those of many Western squadrons, and Saudi Arabia has so far been remarkably successful in converting to its new F-15C/Ds. In fact, Saudi Arabia has done a good job of operating today's most advanced fighters. The first of its 60 F-15C/Ds were operational in Dhahran by early 1984. A second squadron was formed at Taif by the end of 1983, and a third became operational at Khamis Mushayt in July 1983. By late 1984 and early 1985, the Saudi Air Force was conducting major joint exercises in both the Gulf and Red Sea areas, and conducting Red-Blue or aggressor exercises similar to those employed by the U.S. Air Force. Saudi aircraft attrition levels are significantly higher than those of the U.S., but overall training levels are good.

While Saudi Arabia has lacked the C³I/BM systems, advanced avionics and electronics, munitions, and attack capabilities to match USAF proficiency levels, it has also demonstrated a high level of squadron readiness, has begun to perform much of its own major support on the F-5, and provides Saudi support of the F-15 at its bases in Dhahran and Khamis Mushayt. Saudi Arabia has excellent stocks of air

munitions and spares, and has ordered 101 shipsets of F-15 conformal fuel tanks, 909 AIM-7F, AIM-9P/L, 100 Harpoon ASM, and 1,600 Maverick missiles, JP-233 and BL-755 bombs and munitions.

The Saudi Air Force, however, is now in a period of major transition. After trying to buy more F-15s, and acquire an advanced attack mission capability from the U.S. for nearly five years, the Saudis turned to Britain. In September 1985, after President Reagan sent King Fahd a letter stating that he could not obtain Congressional approval of the sales Saudi Arabia sought, the kingdom ordered 24 Tornado ADV air defense fighters; 48 Tornado IDS/GR.1 ground attack fighters, 18 Pilatus PC-9 trainers; and 22 BAe Hawk trainers as part of a massive al-Yamamah program.

In July 1988, Saudi Arabia went further, and ordered 48 more Tornados, and 30 more Hawks. These include some Hawks configured as the Hawk 200 single seat attack fighters. The Hawk 200s have combat radars, unlike the trainers, and evidently were ordered with Sea Eagle antiship missiles. The \$18 billion al-Yamamah 2 contract also included light transport aircraft (12 BAe 125s and 4 BAe 146s), and two major air bases for the new Tornado forces, complete with British support.¹⁹

There are good reasons for these orders. Saudi Arabia's 30 BAC-167 trainers are only armed with 7.62 mm machine guns. They no longer can be used in any combat function and soon will be too old to use as trainers. It bought its now-obsolete Lightning fighters from the U.K. under pressure from former Secretary of Defense Robert S. McNamara--as part of a then--covert three-cornered deal designed to allow the U.K. to buy the F-111.²⁰ The Lightning never had the range, dual capability,

¹⁹ Jane's Defense Weekly, July 9, 1988, p. 23, July 16, 1988, p. 59, and July 23, 1988, p. 111 and 122-123; Newsweek, July 25, 1988, p. 47; New York Times, July 11, 1988, p. 1, and July 12, p. 3.

²⁰ See the Author's The Gulf and the Search for Strategic Stability, pp. 122-126.

avionics, and performance Saudi Arabia needs. The remaining 23 Lightnings are now at the end of their useful life, and have phased out of the force structure.

The 85 Saudi F-5E-IIs and F-5Fs are advanced models equipped with INS, refueling probes, and the ability to fire Mavericks (the F-5F can also fire laser-guided bombs). They have proved to be excellent fighter aircraft. The oldest aircraft, however, are now thirteen years old and nearing the end of their useful life, and the F-5 production line is closed. The F-5E/Fs also are too short-ranged and too limited in avionics and payload to cope with the kind of advanced-threat aircraft being introduced into the region, or to deploy from one air base in support of another. They will have to gradually be phased into a training and light support role, and 20 to 30 percent of Saudi Arabia's F-5 strength is already devoted to full-time training missions.

More importantly, Saudi Arabia badly needs the attack capabilities of its new Tornados. The Saudi 60 F-15C/Ds can do an excellent job of meeting Saudi air defense requirements--particularly since Saudi Arabia obtained the rights to buy the conformal fuel tanks necessary to extend their range, tankers for refueling, and advanced air-to-air missiles as part of the U.S. Air Defense Enhancement Package sold to Saudi Arabia in 1982. It also required 95 AN/ALQ-171 ECM sets for its F-15s and F-5s in March 1987, and contracted to upgrade its F-15s to MSIP capability in October 1987.

The Saudi F-15C/Ds, however, are currently virtually one-mission aircraft. Although the U.S. Air Force recommended that the Saudi Air Force be given a dual-capable advanced fighter back in 1977 when it conducted the original studies leading to the U.S. sale of the F-15, U.S. domestic politics have precluded any sale of the bomb racks and the attack systems necessary to make the F-15C/D effective in this role. This means that approximately half of Saudi Arabia's total first-line fighter strength has been unable to perform effective attack missions or provide attack support to Saudi land and naval forces.

The success of Saudi Air Force modernization, therefore, has depended on Saudi ability to acquire either a modern dual-capable fighter or full dual capability for its F-15s. It is this requirement which has triggered Saudi Arabia's original arms request to the U.S., and which explains why it turned so quickly to Britain for Tornado attack fighters when the U.S. rejected the sale of the F-15E.

The Tornado sale will give the Saudi Air Force the strike/attack aircraft it needs. The Saudi Air Force, however, is nearing the point where it cannot find the trained manpower to expand its forces. It has had to delay taking over operation of its E-3As because of shortages in trained crews, and is having problems in finding all the combat pilots necessary to keep its existing aircraft flying and in converting to its new Tornado fighters.

Much will depend on how well Britain can supplement and replace the U.S. support effort. Saudi Arabia will also urgently need its new British-built air bases at Taiba (about 290 kilometers southwest of Tabuk) and al-Sulayyil (on the edge of the Empty Quarter). Existing Saudi bases are adequate in the Eastern Province and near the PDRY, but are not suited for a force of nearly 400 aircraft. Saudi Arabia will also face growing manpower problems since it has only about 15,000 uniformed personnel.

While the Saudi Air Force already has a squadron of the attack version of the Tornado in service, Saudi Arabia also faces problems because of Britain's continuing problems in making the air defense radar for its Tornado ADV effective, and will not receive its first air defense versions of the Tornado until March 1989. Only 16 of the aircraft will be delivered by the end of 1989. Saudi Arabia has all the aircraft it currently needs on order, but it faces major problems in technology transfer and in making this force effective.²¹

²¹ Jane's Defense Weekly, July 9, 1988, p. 23, July 16, 1988, p. 59, and July 23, 1988, pp. 111 and 122-123; Newsweek, July 25, 1988, p. 47; New York Times,

The most controversial development in Saudi forces, however, is the purchase of Chinese CSS-2 (DF-3) long-range surface-to-surface missiles. The Saudis have bought a package of anywhere from 20 to 100 missiles and support at a cost of about \$3 billion to 3.5 billion, although most estimates put the number at 20 to 24. The CSS-2 being sold to Saudi Arabia has a special large conventional warhead which cuts the range of the missile below its normal range of 1,550 nautical miles. The CSS-2 still has a range of over 1,000 NM. At the same time, it has a CEP of 1.2 NM and lacks the accuracy to hit anything other than large-area targets like cities. Even with its improved war-head, each missile will also only have the effective lethality of a single 2,000 pound bomb. This raises serious issues on several grounds:

- A very costly weapons system is being procured in very small numbers with very low lethality;
- As now configured, the missile system may do more to provoke attack or escalation than to deter attack or provide retaliatory capability;
- On the other hand, Saudi acquisition of chemical or nuclear warheads would radically improve the value of the system as a deterrent or retaliatory weapon.

The end result is a very destabilizing situation where Saudi motives are unclear and will remain so in spite of any inspection agreements, and where other countries have a strong incentive to join the missile arms race, acquire weapons of mass destruction, or preempt in a conflict. While the Saudi purchase may be a logical reaction to such problems as Israeli nuclear capabilities, the search for prestige, the Iran-Iraq missile war, and a desire to assert Saudi independence from the U.S., the net result may well do Saudi Arabia far more harm than good.²²

July 11, 1988, p. 1 and July 12, p. 3.

²² Wall Street Journal, April 4, 1988, p. 13; Arms Control Today, May 1988, p. 24; New York Times, April 26, 1988, p. A-10; Los Angeles Times, May 4, 1988, pp. 1-7; Washington Times, May 4, 1988, p. 8; The Washington Post, March 1988, p. 1.

The Military Capabilities of the Smaller Southern Gulf States and the Gulf Cooperation Council

The smaller southern Gulf states face military requirements which are broadly similar to those of Saudi Arabia, but each of these five states is so small that it cannot hope to achieve either Saudi Arabia's mix of capabilities or create sufficiently large forces to deal with more than low-level threats without external assistance. Further, all of these states now show far more concern with developing independent forces than with cooperation, and give higher priority to internal security issues than to improving their regular military forces.

Further, the problems inherent in insufficiency of force in the southern Gulf states are compounded by the fact that the forces of the individual southern Gulf states have little standardization and poor interoperability. While they are gradually improving in individual military capability, many are still "showpiece" forces which cannot operate effectively except in carefully planned exercises, have few native combat troops, and have whole foreign-manned combat units with little loyalty to the nation or regime. In many cases, they have bought weapons for their prestige, rather than their deterrent or combat capabilities.

Most of the military forces in the smaller southern Gulf states have inadequate warning sensors, and weak command and control systems. Most armies lack modern communications, battle management, and target acquisition systems. There is little heliborne or amphibious capability to rapidly move troops. There are few airborne early warning (AEW) and no air control and warning assets. Most ships have inadequate air and no anti-missile defense. The smaller southern Gulf navies have no mine-warfare capability, and poor ability to conduct combined operations. There are few modern reconnaissance and intelligence assets. The various states and military services differ sharply in sheltering and passive defense capability, and only Oman has pipelines that allow it to avoid dependence on ship movement through the Gulf.

The military expansion and modernization of the southern Gulf states has also been sharply affected by the recent changes in oil prices. The total oil revenues of the southern Gulf states shrank from about \$150-163 billion in 1981 to \$45-55 billion in 1985. According to some estimates they were around \$40-43 billion in 1986, and although they were probably above \$50 billion in 1987, the rapid drop in the value of the dollar in the fall of 1987 brought their purchasing power back down to something approaching the 1986 level. These drops in income are still cushioned by nearly \$160-200 billion in investment abroad, but virtually all of these reserves are held by Saudi Arabia, Kuwait, and Abu Dhabi. Since oil accounts for over 90 percent of the foreign exchange earnings of the southern Gulf states, Bahrain and Oman are dependent on Saudi Arabia and Kuwait to finance their military modernization.²³

If military considerations were the only major factor driving national decision-making, this would lead the smaller southern Gulf states to join Saudi Arabia in an integrated defense structure--and Saudi Arabia to support such a structure because it cannot secure its borders, oil-export capability, or major shipping lanes without the cooperation of its neighbors.

In practice, the southern Gulf states have made only very limited progress towards this goal. The creation of the Gulf Cooperation Council (GCC) in February 1981 represents a major step forward by the southern Gulf states towards creating a more effective form of military cooperation. The GCC was created in large part as a reaction to the dangers posed by the Iran-Iraq War, and all six Gulf states--Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE--are members. While it has scarcely catalyzed an effective collective security effort, it has led to a long series of meetings and, more substantively, to improved cooperation in defense planning and procurement.

²³ These estimates are made by the author and are based on working data from Wharton, the EIU, and the U.S. Department of Energy. Such estimates differ sharply according to source.

This progress must also be kept in careful perspective. Every southern Gulf state pays more attention to bilateral military relations than to the search for GCC-wide defense cooperation. All of the GCC's collective defense efforts are still more political gestures than military realities, and the GCC often substitutes rhetoric about military cooperation for serious planning. Discussions of creating a common rapid deployment force, military standardization, common support facilities, and common military production facilities have led to words and studies, rather than actions. They also have led to a situation where the lower and upper Gulf states find it difficult to cooperate because of their different political and military objectives, and the smaller states tend to use the GCC to ask Saudi Arabia and Kuwait for money.²⁴

Further, only token real-world progress is being made in the following areas:

- Creating an effective planning system for collective defense, and truly standardized and/or interoperable forces.
- Integrating C³I and sensor nets for air and naval combat.
- Creating joint air defense and air attack capabilities.
- Establishing effective cross-reinforcement and tactical mobility capabilities.
- Setting up joint training, support, and infrastructure facilities.
- Creating joint air and naval strike forces.
- Deploying joint land defenses along the PDRY border and along the Kuwaiti/northwestern Saudi borders.
- Preparing for outside or over-the-horizon reinforcement.
- Conducting effective exercises and centralizing training facilities.

²⁴ Middle East Economic Digest, October 25, 1986, p. 2.

The impact of the problems created by this lack of effective military integration becomes clearer when the defense capabilities of each of the smaller southern Gulf nations are examined individually.

The Priorities for Defense

Given this background, it is fairly clear what the southern Gulf states need to do to improve their military capabilities. At the same time, it seems useful to close with a number of important caveats regarding the real-world priorities the southern Gulf states have for military forces. Just as Clausewitz made careful distinctions between "perfect war" and the need to take political considerations into account in conflict, each of the southern Gulf states has good reasons to both limit its internal military efforts and its cooperation with its neighbors.

These reasons may be summarized as follows:

- The risk of all-out war from any given threat is limited.
- Deterrent capabilities are often an adequate, if not the only obtainable, substitute for defense.
- The region is sufficiently important to allow a heavy degree of reliance on over the horizon reinforcement by the U.S. and other Western states almost regardless of national policy before such support is requested.
- There is increasing civil competition for both financial and manpower resources.
- Internal political rivalries within the southern Gulf states often have higher priority than military cooperation.
- Internal security is often a much more immediate problem than external military threats.
- Any effort to establish major forces and strong retaliatory capabilities may provoke a military reaction from the northern Gulf states, Israel, or the USSR which outweighs their deterrent value.

- U.S. unreliability as an arms supplier, and the political complications of dealing with a nation tied so closely to Israel, make it difficult for the Gulf states to work with the nation most capable of developing large-scale programs. European and other arms sellers generally can only sell part of the equipment and services needed on a Gulf-wide basis, and individual Gulf nations often find it convenient to buy from different arms suppliers.

It also seems worthwhile to point out that many of the problems in the current and probable military developments of the southern Gulf states, and in regional cooperation, are equally characteristic of the NATO alliance. There may be a great deal of inefficiency in what the southern Gulf states are doing, but the "fog of peace" may well be more dense and even more inevitable than the "fog of war."

The Outlook for the GCC in the Postwar Gulf

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The formation of the Gulf Cooperation Council (GCC) in May 1981 represented an unprecedented effort by Saudi Arabia and the southern Gulf states to strengthen cooperation between their political, economic, military, and social systems. Against the backdrop of the revolution in Tehran, the Soviet invasion of Afghanistan, the outbreak of the Iran-Iraq war, and the acute economic dislocation brought about by the plunge in world oil prices, the six GCC member states embarked on a program designed to effect, in the words of the GCC Charter, "coordination, integration and interconnection" between them "in all fields." In theory, this extensive program transcended the mere formalization of cooperation between the member states and implied the eventual realization of a supranational structure.

The following examination will focus on the extent to which this extremely ambitious agenda has been realized over the past seven years and on the outlook for the GCC in the 1990s.

Assessing the Development of the GCC

Implicit in the GCC program are five main stages of organizational development, each of which is progressively more difficult to achieve in both political and economic terms. These phases are: 1) the definition by member states of a convergence of enduring interests supporting the formation of a regional framework; 2) the ramification of the specifics of the generally accepted program; 3) the institutionalization of the program; 4) the application of regionally determined objectives at the national level; and 5) the ultimate realization of a supranational framework in which certain national interests are subordinated.

The first and obvious stage in the GCC process was the fundamental decision by each of the member states to participate in a regional framework. Situated as they were in a vortex of instability and confronted with an international oil glut

that considerably narrowed their economic prerogatives, Saudi Arabia and the southern Gulf states clearly had an alignment of interests in support of such a framework. The dangers to the GCC states presented by the Iran-Iraq war, including in particular threats of expansion of the war as well as indirect or subversive actions against regional non-belligerents, were clearly the overriding factor in the establishment of the GCC. In theory, cooperation at the defense and internal security levels could better serve to attenuate the effects of the conflict, especially on the smaller states more exposed to the war, while concerted diplomatic initiatives could lend additional momentum to the effort to reach a settlement.

A number of economic considerations also played an important role in the formation of the GCC. Because of the structural similarities of their oil-based economies and the prospects for counterproductive overlaps in their efforts toward economic diversification, the GCC states could in theory optimize regional economic efficiency by coordinating their national economic development programs. The establishment of a free trade area and a common external tariff structure presented the potential of more favorable terms of trade with third-party countries and state-groupings such as the European Economic Community (EEC). The disproportionality attendant with the GCC structure, in which Saudi Arabia is clearly preponderant in economic terms as well as in other areas, could be compensated for--at least somewhat--under a centrally planned regional economic system. Finally, the GCC program would amount to the formalization and development of the extensive economic cooperation that had already emerged between many of the member states in the years previous to the formation of the organization.

The second stage of development, following from the identification of these general and wide-ranging objectives, is the progressive ramification of the GCC program. These measures, in effect, give meaning to the overall GCC framework by determining specific courses of action. In the political domain, the regular

meetings of heads of state in the Supreme Council and of foreign ministers in the Ministerial Council signify a commitment by the member states to regular and formalized discussions on a common diplomatic agenda. Likewise, extensive discussions have been carried out with similar results in the military and security spheres, resulting in among other things the conclusion of an internal security agreement in December 1987. The formal codification of cooperation between the GCC states has been most evident in economic relations. The Unified Economic Agreement, reached in June 1982, provided a substantive base for the gradual imposition of a free trade area and common external tariff. A host of secondary agreements have since been reached, including a long-range development program, a common industrial program, a common agricultural plan, and a transit system agreement.¹

The third phase of GCC development involves the regional institutionalization of the policies and positions reached at the previous level. As previously mentioned, the regular meetings of GCC heads of state in the Supreme Council and the foreign ministers in the Ministerial Council present the first structural means through which common policies and positions are shaped. The frequent meetings of specialized standing committees² is another vehicle through which the determinations of the Supreme Council and Ministerial Council are put into effect. The Secretariat General has not only assumed an ongoing role in the development, monitoring, and implementation of GCC activities, but also has become the mechanism through which collective negotiating positions with

¹ See "Objectives and Policies of Development Plans of the GCC States," March 1985, "Unified Industrial Development Strategy for the GCC States," November 1985, "Common Agricultural Policy of the GCC States," February 1984, and "Regulations Governing Transit Goods," June 1982. The texts of these agreements are reproduced as documentation in Peterson, The Gulf Cooperation Council, pp. 309-314, 315-322, 323-331, and 269, respectively.

² These committees include agriculture, commerce, communications, education, energy, finance, housing, industry, internal security, labor, planning, transportation, and water and electricity. In addition, ad hoc committees have been established under the aegis of the GCC on such issues as regional environmental trends.

third-party actors are fashioned and pursued. The ongoing talks regarding economic ties between the GCC and the EEC, Japan, and the United States are important examples of this function.

The ramification of the GCC program through the range of GCC constituent bodies has also resulted in the formation of new institutional instruments as well as the expansion or reorientation of common institutions already in place. At the level of economic cooperation, the Gulf Investment Corporation (GIC) was established in 1982 to promote regionally-oriented development projects. Efforts are underway to create a customs institute, in which trade trends between the member states would be monitored, and a commercial dispute arbitration committee, both under the auspices of the Secretariat General. Technical committees, such as the Regional Committee for High Power Voltage Systems, have been formed in several technical areas. Likewise, institutions created previous to the formation of the GCC have been restructured under the GCC framework. The Gulf Technical Bureau of Communications has been subsumed by the GCC, while the Saudi Measurements and Standards Organization was converted by the GCC in 1982 to the Gulf Standards and Measurements Organization (GSMO).

Institutionalization of military cooperation has consisted of the establishment of a small and largely symbolic rapid deployment force capacity based in Saudi Arabia and regularized bilateral, multilateral, and GCC-wide military exercises, and contingency planning. Though military cooperation between the GCC states has not been codified formally, regular contact between military leaders and the experiences of joint exercises are contributing to a slowly developing regional defense network.

The fourth stage of GCC development involves the implementation of regionally-developed positions and policies at the national level, which necessarily involves the arduous and deliberate reconciliation of regionalism with diverse social, economic, and political interests in each member state. It is at this point that the

GCC's program of regionalism touches, as GCC Secretary General Abdulla Y. Bishara has described it, the "raw nerve" of national interests. Though, presumably, these national interests have been taken into account during the definition and ramification of the GCC's program, it is clear that some of the more embracing GCC objectives, such as military cooperation (i.e., information sharing, harmonized acquisition) and the acceptance of economic factor mobility, have generated and will continue to precipitate considerable resistance among various national elements.

It is arguable that the GCC program is now at this level of development. To date, collective political, economic, and military programs have been reached by the GCC leadership--though, obviously, they are not yet fully defined--and the process of conforming national laws, policies, and positions to the GCC program is underway. Until these national positions have been elevated to the regionalism as manifested by the GCC, the conceptual framework reached by the organization merely constitutes a set of declarations of intent.

The fifth stage of the GCC program--the advent of GCC supranationalism through integration and the attendant surrender of certain sovereign prerogatives by the member states--must be examined only from the theoretical perspective when assessed in the context of current developments. To reach this level of cooperation, not only does the GCC need to secure far greater national compliance to realize its current objectives but also it must redefine its program to encompass vastly more binding central-planning and other institutional capabilities. Implicit in the development of a supranational framework is a compulsory character that is clearly beyond the pale of current GCC activities.

Obstacles

In view of the GCC's broad objectives and of the external political and economic pressures that have arisen since 1981, it is not surprising that a number of obstacles have arisen during the course of the organization's development. Certain of these problems are examined here so that a clearer assessment of the prospects for the organization in the 1990s will emerge.

Although the GCC has instituted previously unknown levels of cooperation, residual political and other frictions persist between its member states. Though the political, economic, and social structures of the GCC states are arguably more similar than in any other regional integration experience of the past, they have a number of fundamental differences. Regional and international political outlooks are by no means homogeneous. Owing in part to the differing geopolitical considerations confronting the states, the political orientation of Kuwait, for example, has been distinct from those of the United Arab Emirates and most especially Oman on issues such as relations with the superpowers and with Iran and Iraq. These dissimilarities have manifested themselves in the GCC process, during which the GCC states have held divergent positions on issues such as financial support for the Iraqi war effort and the discussion of a GCC air-defense network.

Another more obvious manifestation of intra-GCC differences was the April 1986 Fasht al-Dibal territorial dispute between Bahrain and Qatar. The affair illustrated the staying power of residual frictions between certain GCC states and highlighted the limitations of the GCC's structure for the settlement of disputes. For the GCC to continue to develop, these and other differences need to be narrowed or bridged.

There have also been significant limitations in the application of the GCC's economic, political, and military programs. In the economic realm, the GCC's

program as defined by the Unified Economic Agreement and other associated conventions has been hindered by uneven implementation.³ Though in theory the GCC's free trade area and common external tariff are in force, in practice considerable unification of policies remains to be undertaken by the member states before a free trade area or a customs union is realized. Another area of difficulty is the application of the GCC's objective of economic factor mobility. Likewise, the movement of capital and labor continues to be encumbered by local restrictions--either direct or indirect--that effectively foreclose the development of a common market structure. In addition, GCC economic cooperation has been confined to areas of secondary importance to the regional economy and has not yet extended to the more critical area of energy policy and centrally-planned diversification.⁴ Such an expansion of scope, together with full implementation of the economic objectives already in place, are requisite to further progress.

Limitations in GCC political and diplomatic cooperation have also been evident. Although since 1981 the GCC states have harmonized their positions as well as political and diplomatic initiatives on a number of issues such as attempts to mediate the Iran-Iraq war and efforts at the United Nations to end attacks on non-belligerent shipping in the Gulf, the divergence in political outlooks has been evident from the start in three areas. First, differing positions on relations with the superpowers have been obvious since the organization came to fruition; at that time Kuwait was the only GCC state with formal ties to Moscow and with a more vigorous stance with regard to nonalignment, while Oman's close ties with the

³ The Unified Economic Agreement, for example, provides an exemption clause for implementation in Article 24, which states that "[a]ny member states may be temporarily exempted from applying such provisions of the Agreement as may be necessitated by temporary local situations in that state or specific circumstances faced by it . . . [s]uch exemption shall be for a specified period and shall be decided by the Supreme Council. . . ." The experience of the GCC has demonstrated the ambiguity of the "temporary" nature of such exemptions.

⁴ See the paper in this volume by Hossein Askari, "Economic Achievements and Prospects for the Oil-Based Economies of Saudi Arabia and the other GCC States," pp. 35-36, 42-43.

United States had been underscored by the conclusion of a base facilities agreement in 1980.

Second, there was a spectrum of GCC-state reactions to relations with Iran. While in the wake of the attacks on neutral shipping and the August 1987 Mecca affair Saudi Arabia and Kuwait effectively broke relations with Tehran, formal ties were maintained with Iran by Oman, Qatar, and the United Arab Emirates (UAE).

A third set of political differences emerged after the decision of Kuwait in fall 1987 to request protection for its tankers from the superpowers. The move, though made in consultation with the other GCC states, was not universally supported and once again highlighted the contrasting geopolitical outlooks between the states.

Cooperation in the areas of defense and internal security has also been tenuous. Despite the joint military exercises that have been conducted, additional military coordination among the GCC states is constrained by a lack of inter-operability among diverse weapons systems and a number of other logistical problems.⁵ Efforts to reach agreement on a common air defense network and the acquisition of a common maritime surveillance capacity have been overshadowed by political considerations. Discussions regarding the creation of an arms-production capacity or a revived arrangement with Egypt on the Arab Military Industries Organization have not yet led to concrete results. For the GCC to give greater meaning to its program of increased military coordination, it is necessary at the outset for the member states to make substantial strides in the integration of their C³I capabilities, the integration of their air and coastal defense networks, the development of contingency planning, and the establishment of joint training programs.

⁵ See the paper in this volume by Anthony H. Cordesman, "The Role of Saudi Military Forces in the Gulf Region," pp. 67-100.

In regard to these obstacles, it is ironic that the Iran-Iraq war has served as both a catalyst and a deterrent to strengthened military cooperation among the GCC states. The conflict certainly served to accelerate the drive toward cooperation between the GCC states, while at the same time certain greater levels of coordination have been unachievable out of concern by certain of the member states that the GCC program might be viewed as "provocative."

In addition, cooperation in internal security has been slowed by the reluctance of certain smaller GCC states to enter into an agreement that provides for hot pursuit and other cross-border prerogatives. The extended negotiating process of the GCC internal security agreement, in which several contentious provisions were ultimately dropped before the agreement was concluded, revealed the limits to the current stage of cooperation in this realm.

While the GCC structure emphasizes a deliberate and step-by-step approach in effecting these areas of cooperation, there have been indications of an impatience with the pace of the organization's development. In this regard, it is instructive to note that elements within the Secretariat General have expressed a desire for a more sweeping institutional role in the implementation of GCC programs. The Associate Secretary General for Economic Affairs, Dr. Abdulla el Kuwaiz, has argued that "[t]he GCC has to consolidate a power structure that would effectively supervise and follow up its work [T]he Secretariat General needs more teeth from the Supreme Council to see that these steps and others approved by the Council are firmly put into action [emphasis supplied]."⁶

⁶ See his "Economic Integration of the Cooperation Council for the Arab States of the Gulf (GCC): Challenges, Achievements and Future Outlook," in J. Sandwick (ed.) The Gulf Cooperation Council: Moderation and Stability in an Interdependent World (Boulder, Colorado: Westview Press and the American-Arab Affairs Council, 1986).

In view of the foregoing achievements and obstacles as well as the rapidly changing political environment in the Gulf, certain conclusions can be drawn for the priorities of the organization in the early 1990s.

The Outlook for the GCC in the Early 1990s

When the GCC heads of state convene next November for their ninth Supreme Council meeting, the most immediate and pressing issue before them will be to devise a strategy for the rapidly changing political and economic outlook for the Gulf brought about by the July 1988 Iran-Iraq cease-fire. The objective of such a strategy is no different than the initial goals of the organization: namely, to pool the resources of the member states in an effort to encourage lasting regional political and economic stability. But the emphasis of the strategy has shifted from containing the effects of the conflict to fashioning a postwar order that will provide a rough balance between the two former combatants. At the center of this approach is the goal of eliminating or reducing the coercion directed by both belligerents at the GCC states both before and during the conflict.

The degree to which the GCC will supersede the individual GCC states in pursuit of these objectives is uncertain, but cannot be expected to exceed past levels of limited GCC political and diplomatic cooperation. Recent reports suggesting that Kuwait has sent a mission to Tehran to revivify diplomatic relations⁷ and that Riyadh and Tehran have reached an agreement on non-interference may be indications that the GCC states, in consultation with one another, will be pursuing their relations with Iran and Iraq on an independent basis. The effort to impel Iraq to adopt a more flexible negotiating stance in the

⁷ Oman, Qatar, and the UAE have maintained formal ties with Iran during the course of the war, and the Kuwaiti initiative reportedly followed two trips to Tehran by the foreign minister of Oman. See Patrick E. Tyler, "Kuwait Moves to Restore Ties with Iran," The Washington Post, 18 September 1988, pp. A21 and A24.

discussions with Iran (i.e., a settlement which is not a "humiliation" to Tehran), which, according to recent reports, has been one of Riyadh's objectives, is also likely to be carried out at the state level. From the standpoint of the GCC, however, there is little doubt that future Supreme Council and Ministerial Council sessions will set forth a consensus GCC position on the postwar Gulf, stressing the need for regional stability and respect for sovereign borders. Such a position could serve to legitimize and thereby lend force to future initiatives undertaken by GCC states.

By necessity, the emerging political order in the Gulf will be intricately linked with the oil policies of regional states. Because the two former belligerents must now shift their priorities to rebuilding their war-spent economies, their rate of reconstruction is contingent in part on the production and pricing policies of the GCC states, most notably Saudi Arabia.⁸ It is conceivable that a regional formula could arise whereby the GCC states could moderate their oil policies in exchange for assurances from Iran that it would renounce its previous determination to export the revolution to the GCC states through agitation and subversion. Likewise, by virtue of the leverage created by the Basra-Saudi pipeline and Neutral Zone production, Riyadh may seek to exert pressure on Baghdad so that Iraq will pursue less of a maximalist position in its negotiations with Iran and more of a moderate position regionally. In this regard, the GCC cannot be expected to assume a central role either in the oil policy formulation of its member states or in the strategy formulation for the postwar political order, though it is likely that there will be ongoing consultations at various levels in GCC forums and elsewhere.

If it were to result in an enduring period of stability between the two former combatants, the Iran-Iraq cease-fire could remove the key reasons for the formation of the GCC. It follows, then, that under circumstances of greater regional stability

⁸ The same observation held for the maintenance of the war effort, during which Saudi Arabia agreed to the construction of the Basra-Saudi pipeline, completed in September 1985, with a capacity of .5 mbd.

the emphasis of the organization would shift to other areas of cooperation envisaged in the GCC framework, most notably to the economic sphere. The economic rationales for the formation of the organization are, after all, essentially unchanged: the GCC states stand to benefit from a collective bargaining position with other states and international organizations and the economic dislocation of the past few years has underlined the pressing need for efficient regional diversification. Moreover, it is clear that despite conditions of sometimes severe economic austerity, the gains registered by the GCC in the economic domain stand out from its other areas of interaction.

It is arguable, if the predictions of many analysts for a tightening of the oil market in the early 1990s can be accepted, that some additional momentum will be lent to the organization when the member states can more easily defend economic regionalism. If, conversely, the current strains of economic austerity extend well into the 1990s, the resilience of the organization's economic program will be put to the test once the problems implicit with national implementation become more acute. Under either of these scenarios, the case for stronger regional economic cooperation through the GCC is clear.

In the final analysis, the GCC serves an important purpose for its member states under conditions of regional instability as well as stability. Though it is no substitute for critical policy formulation in the member states, it nonetheless can be expected to play a progressively more significant role in the management of the region, most especially at the economic level. When viewed from the perspective of other efforts at integration among developed and developing countries alike, it is clear that the GCC has made substantial strides against a backdrop of acute regional political instability and uncertainty as well as economic dislocation.

Roundtable discussion:

Regional Relations and Superpower Interests

(Transcript)

Christine M. Helms
Smithsonian Institution

I was asked to speak to you today about Saudi Arabia's relations with Iran and Iraq. I am personally interested, in my own work, in looking at long currents of time or historical patterns, and so what I will do in my talk today is elicit for you Saudi perspectives on their own social and political environment with regard to Iran and to Iraq.

The first contention I have is that the Saudi regime is basically and fundamentally fragile, despite the fact that the Saudi regime - the Al Saud family - has maintained control of the government for decades and probably will continue to do so in the near future. You have already heard today a number of the factors which I believe accentuate fragility, but just to name a few here: 90% of the economy is oil-based, there are few natural resources, the manpower base is small and there are cultural constraints against developing a skilled manpower pool. These factors have led to a dependence on foreign labor which has in turn exacerbated anti-foreign tendencies within the country. There are environmental factors such as water, a nonrenewable resource that will ultimately constrain policy choices, possibly severely, in the near future. There are upward pressures caused by an over-educated population that cannot be absorbed. There is a growing gap between the very wealthy and the very poor. Finally, there is dissatisfaction, especially among the young people, over the inability to participate in the political processes of their country, regardless of the fact that they recognize that compared to other regimes in the region, their regime has been relatively stable.

Leaving aside for the moment the issue of legitimacy, which should perhaps be questioned, control over the political structure of the state has been relatively easy to maintain because of: geographic and demographic factors; deliberate manipulation of the composition and placement of the military units within the country; selective distribution of oil wealth; advocacy of conservative domestic policies; selective placement of members of the Al Saud family throughout the government bureaucracy;

and an alliance between the West and the Saudi royal family, both of whom desire maintenance of the status quo.

My second contention is that the factors that contribute to Saudi fragility impede Saudi Arabia's ability to compete for the role of regional superpower and explain much about Saudi Arabia's historic isolation in the region itself. These, however, are precisely the same reasons which have lent Iran and Iraq their tremendous potential for development, and explain the Saudi desire to placate both of these states. The most important reason for this arises simply from the environmental and geographic advantages accruing to the heart of the tri-continental node, of which we are all familiar, for strategic reasons, as a region which has tremendous egress and ingress through waterways. Saudi Arabia lies on the periphery of this region, geographically and culturally. It is no accident that Iran, site of the ancient Sassanian empire, is a logical focus, along with Israel, of American policy in the Middle East. Nor is it accidental that Iraq, the frontier of the Roman-Byzantium empire and the former capital of the Abbasid empire, was, along with Egypt, the linchpin of British policy in the Middle East between the two world wars. And in fact, if you look at a map today, the corridor that connects Jordan and Iraq was created deliberately by the British War Office to sever potential links between Syria and Saudi Arabia.

By contrast, Saudi Arabia was one of the three countries that remained independent in the post-World War I mandate period because nobody wanted it. Along with North Yemen and Oman, it had no strategic value. It is this historical legacy that has colored traditional attitudes in the Middle East itself about leadership capabilities, attitudes which are at variance with those we hold in the West and which we have heard today. Both Iran and Iraq have renewable water resources, diversified economic bases and the potential to be self-sufficient in food production. Both have large manpower bases, and neither has any cultural constraints against development. Both have an increasingly educated population, and can absorb it. Both have the ability to alter OPEC oil-pricing and production policies. Both have the theoretical potential to be free of the Saudi checkbook. Both have

extensive military experience. Both have played a leadership role during the Islamic period, and therefore have what the Arabs might call "cultural clout."

My third and final contention is that fundamental historical differences between Iran and Iraq will affect the substance of Saudi Arabia's attitude toward them in the future. I would like to here again focus on broad historical themes, rather than on micro-events, because I think these themes endure despite the fact that on a daily basis we tend to focus on personalities and treaties and other paraphernalia.

When considering Saudi Arabia's policy options, I think it is fundamental that there are only two functioning political paradigms in the Middle East today, Islam and Arabism. Political parties do not function, except with the support of the Arab governments themselves. Both of these paradigms go far back in Middle Eastern history, and both are acutely important to the Saudis. They relish their role as the guardian of the holiest sites within the orthodox Islamic world, and they have also relished a leadership position within the Arab world itself. Because these paradigms can be mutually antagonistic, however, the Saudis have had to be very careful in how they utilize the symbolism of each. The Iran-Iraq war created for them a fundamental dilemma to which they had to adjust in their domestic and foreign policies, and even in the aftermath of the war, this problem will not go away for them. At the heart of this dilemma is the political nature of the Islamic community, and this is where my comments become a bit humanistic. It is worthwhile to review briefly exactly what is meant by the Islamic community and the Islamic state.

Islam is not a religion pursued by isolated individuals. Muslims derive benefit from Islam only by virtue of participation within the Islamic community. Moreover, the community is imbued with a sacred connotation, and is universal. This has led to a highly developed sense of political space and sacred time. This explains why in Islam one witnesses the phenomena of transnational cities, transnational families, such as the al-Sadr in Lebanon, Iraq and Iran, and transnational institutions, such as al-Azhar in Cairo. There are strict regulations regarding the relationship of every

single Muslim, wherever he might be globally, toward this political space, and of the body politic toward the non-Muslim world.

For example, the vision of state in Islamic jurisprudence prohibits Khomeini from accepting a permanent cessation of hostilities. It is incumbent upon him to endeavor to expand and purify the community, even if practical considerations require a temporary abeyance in trying to achieve that ideal. If you look carefully at his acceptance of U.N. Resolution 598, much of his choice of language can be explained by this, as can his continued insistence, even today, that he accepts no frontiers or geographical boundaries. It is this understanding of what Khomeini means by the Islamic state that continues to heighten Iraqi concerns today.

The Arabic language, in which the Islamic message was delivered, is also imbued with a sacred connotation. It is this single fact that has lent the Arab Middle East such prestige in Islam over the centuries. It is also the underlying animosity shared by many non-Arabs toward the Arab position within Islam that boosted Iran's prestige as a revolutionary Islamic government.

There are in Islam regulations regarding the relations between rulers and God, as well as rulers and ruled. There are explicit precepts that guide the process of selecting leaders, define the qualities and incumbent duties of leadership, and the legitimacy of governing. At the heart of all these precepts rests the concept that, if all players are fulfilling their part in obedience of divine rules for salvation, the Islamic state and society are both legitimate and prospering. These topics, by the way, are a part of the discussions that are ongoing among young people today in the Middle East.

In orthodox Islam, as practiced in Saudi Arabia, it is incumbent among people to avoid what they call fitnah, or societal chaos, in order to obey a legitimate ruler. In Shia Islam this precept does not exist, or certainly not in the same form as it does in Sunni Islam. It is incumbent upon a good Muslim, under certain conditions, to

take up arms if need be to reestablish the unity and the legitimacy of the Islamic community. Shiism, which is practiced by 97% of the population in Iran, advocates the rights of any just Muslim to accede to power, at the same time that it condemns the practice of hereditary leadership, which explains Khomeini's constant criticism of the Saudi royal family. It also explains the statements by those who assassinated Sadat, who said from their jail cells that Sadat had made Egypt a kingship.

This has been a very brief review. But we can conclude from this that, in the short term, the Iran-Iraq cease fire will presumably save the Saudis money and gain time, in the hopes that eventually a more moderate successor government will come to power in Iran. However, factions holding politico-religious ideals similar to Khomeini continue to hold power in Iran, and I include here Rafsanjani, despite, I think, the rather unrealistic and doubtful label of "moderate" often attached to him. The Saudis have to remain particularly alert to this; they remain the guardians of Islam's holiest sites, and the truce will not alter this fact.

At a deeper level, societies always have had a fear of revolutionary governments. Prior to the war, therefore, the Saudis regarded Iraq with suspicion. Iraq's history of political radicalism is quite famous. It is important to remember that Iraq was the first Arab country to gain independence from a foreign power in this century, and the first to revolt successfully against a foreign-installed monarch. That has given them tremendous clout in the Arab world. Ironically, the war has caused Iraq to moderate a number of positions it held in the past with regard to its more moderate Sunni Arab neighbors.

Iran, which was on good terms with the Saudis during the Shah's reign because of similar policies, is now famous for the first successful Islamic revolution in this century other than, significantly, that of the Saudis themselves in the 1920s. The Iranian revolution ousted the Shah who, ironically, had begun to institute a dynasty similar to the Saudi one and whose power was perceived as emanating from foreign support, as with the Saudis. The Iranian revolution has opened a whole series of

questions about the legitimacy of governments in the Middle East, and these questions will not end when the war ends.

Stephen Page
Queen's University

I am going to take a slightly shorter historical look at the situation, specifically, the last three years. It seems to me that when the Soviets look at the Persian Gulf, a region which is, as they consistently point out, in close proximity to their southern border, it must give them considerable satisfaction. They regard the Gulf region as the litmus test of superpower equality, because for years their activities there were effectively restricted.

The USSR is now accepted as a legitimate player. It has full diplomatic relations with all countries except Saudi Arabia and Bahrain. It has growing economic relations, although not yet very significant, which include oil trade with Saudi Arabia to pay for some of the Iraqi arms purchases of the last seven or eight years. The GCC states have recognized the Soviet Union as a factor in the oil trade, as evidenced by the visit of the Saudi Arabian oil minister in early 1987 to involve the Soviets in regulation of supply and pricing.

The Soviets, moreover, have been accepted as players in security and conflict management issues in the Gulf. Throughout the course of the war Moscow alone had the potential to bring both sides to the table; not a very strong potential but nevertheless the only one. The Saudis recognized this in 1983 when they appealed to Andropov for help in ending the war, and much more recently, towards the end of the war, the GCC recognized the necessity of bringing the Soviets into line on an arms embargo against Iran in order to give it any chance of succeeding. The Soviets have legitimized their naval interests in the Gulf as part of the tanker lease to Kuwait, which of course was part of that country's strategy of involving the

superpowers in hopes of forcing an end to the war, and certainly in hopes of protecting Kuwaiti oil exports.

Moscow's new advocacy of a United Nations role in conflict resolution is undoubtedly popular in the Gulf, all the more so because of its initial success, backed, we must keep in mind, by the success of Soviet-supplied Iraqi arms. This success may enhance the appeal of other Soviet proposals, such as a UN naval force--which, although it does not seem very practical, has received the verbal support of the Omani Minister of State for Foreign Affairs.

The basis of the acceptance of a role for the Soviet Union is, of course, the military power of the USSR, enhanced by Moscow's new enthusiasm for cooperative conflict management and resolution. These factors, in addition to approval of Soviet positions on the Arab-Israeli conflict, may make the USSR more popular as a participant.

This analysis of Soviet gains in the Gulf should not hide the rather significant difficulties Moscow faces, one of the most obvious being the lack of full diplomatic relations with the Saudis. This is not to say that the two do not do business: they have economic relations; their diplomats meet in third capitals; and Saud al-Faisal went to Moscow in January 1988 (although as a representative of the GCC, not a representative of Saudi Arabia). Shortly after that, Soviet Deputy Foreign Minister Polyakov visited Riyadh, the first formal Soviet representative in Saudi Arabia since the 1920s. He met with Crown Prince Abdullah, although not with the King.

For the Soviets, these contacts are a matter of very strong symbolic importance as was demonstrated by Moscow's exuberant reaction to the establishment of diplomatic relations with Oman in September 1985. Karen Brutents of the CPSU International Department said that Moscow's new relations with Oman proved that Anwar Sadat was wrong when he said that the United States holds 99% of the cards in the Middle East. This slightly overstates the importance of diplomatic relations

with Oman, but it indicates how important it was to the Soviets.

Diplomatic relations with Saudi Arabia would also be important for the Soviets because it would dim one of the last strong anti-Soviet, anti-communist voices in the Third World. It would further legitimize the Soviet presence not only in the Middle East, but in the Third World generally. It would legitimize the contemporary phase of Soviet policy toward the Third World, which is pursuing good state relations with moderate capitalist countries, particularly the more important ones.

Full diplomatic relations with the Saudis is also a matter of practical importance, as evidenced by the persistence with which the Soviets express their desire to take those final steps. I will mention four potential gains for the Soviets. The first is more economic ties, including perhaps some part in the lucrative Saudi arms market. The Soviets sold arms to Kuwait several years ago, and in September 1988, Soviet Chief of Staff Akromeyev indicated that the Kuwaitis would be quite welcome to request another arms purchase. This, of course, feeds into the Gulf Arabs' annoyance at the difficulties they have had trying to buy weapons from the United States. A second gain would be better intelligence about the Saudi domestic situation, such as rivalries within the royal family, and better intelligence about the crosscurrents of Saudi-US relations. The third would be potential influence over any Saudi move to tighten relations with the U.S. That may seem somewhat impractical and highly speculative, but the Soviets are certainly concerned about this. The fourth would be credibility as potential mediators in the Gulf and in the wider Middle East. We saw this throughout the Gulf war, most recently immediately after Iran indicated it would accept U.N. Resolution 598. Deputy Foreign Minister Verontsov went to Tehran and reportedly offered a venue in Soviet Central Asia for the peace talks. Good relations with the Saudis, as well as with other major players in the region, would have important ramifications for this Soviet goal.

There are other roadblocks to an enhanced Soviet position in the Gulf, the most important of which is the need for a superpower to juggle irreconcilable goals. The

Soviets recognize this and they now talk about it. For example, on the one hand Moscow supports revolutionary forces (whether they be revisionist states or national liberation movements) and simultaneously desires good state-to-state relations with the targets of those forces.

The goals of supporting the existing relationship with Iraq must be reconciled with the wish to create a new relationship with its arch-enemy, Iran. Iran, of course, is the strategic prize, which the Soviets at the very least wish to deny to the United States. They made it clear throughout the war that they were interested, even determined, to prevent Iraq from winning decisively and not to have Iran crippled by an arms embargo. The goal of dominating the region, which is one explanation for their invasion of Afghanistan, has a counterproductive effect on relations with regional powers, and of course with the United States. The goal of enhancing their chances of a role in a Middle East peace process by opening relations with Israel will risk damaging relations with the Arab countries. These are some of the difficulties which the Soviets encounter as they seek to improve their position in the Gulf. This is not to say that they cannot improve it; in fact, if they are willing to pursue certain lines of policy, they can enhance their position in the Gulf.

First, they will have to abandon open support of national liberation movements. This is in process or has been done, beginning with Andropov and certainly with Gorbachev. National liberation movements have dropped almost off the list of Soviet allies or forces which they will support. Second, they will have to play the Israeli card very gingerly. Third, if the Gulf war is in fact over, Moscow will have to avoid the temptation to jump into the Iranian camp in what I think will be a very strong eagerness to prevent the United States from returning to its previous positions.

The Soviets can have some expectation of success if they stick to what is called the "new political thinking;" if they keep their goals modest with little expectation of increasing influence on the policies of these states, much less of supplanting the West; and if they pursue a consistent policy of moderate reaction to the openings which will

be created by regional developments. A policy of advocating regional stability, of course, is not a spectacular one, nor an activist one. It may not be one with which the Soviets can be comfortable. It does have the attraction of being low cost, and in today's Soviet Union, that is a very strong attraction indeed. It could be effective in that it could help to remove the reasons for the US naval presence and, possibly, the reasons for any enhanced US presence. It may even encourage the Gulf Arab countries themselves to pressure the United States to withdraw. It would be much to Moscow's benefit if the correlation of forces in the Gulf were changed through local pressure, without the obvious intervention of the Soviet Union.

James Placke
Paul, Hastings, Janofsky and Walker

The perspective which I would like to share with you this afternoon is not that of an analyst, historian or humanist, but one of a recent practitioner. From that standpoint, I would like to concentrate on a couple of examples to illustrate my basic premise, which is that after having dealt, for about thirty years, off and on, with the relationships between the United States and the states of the Arabian peninsula and the Persian Gulf, I have very reluctantly and very slowly come to the conclusion that there are some severe limits on the scope and breadth of that relationship. These limits are imposed by the asymmetry of interests and relationships of the United States as a superpower on the one hand, and of these relatively small and vulnerable states on the other hand.

What do I mean by that? There is some evidence to suggest that the Arab states of the Gulf are much more prepared to enter into a broad security relationship with the United States than the United States is able fully to reciprocate. One point may be the very traditional examination of US interests in the region, which are typically defined as access to oil supplies for the United States and the Western alliance; limitation of Soviet influence; and strategic access to the region for U.S. military forces, again often in an East-West context. There is a fourth interest that is

prominently displayed in policy papers and one where the limitations begin to be evident, and that is the interest that the United States has in the security of Israel and the commitment to promote peace between Israel and its Arab neighbors. That interest clearly rubs up against some contradictory objectives on the Arab side. The examples that I would choose to illustrate where limitations lie are Saudi Arabia, Oman and Kuwait. They all shed light from different perspectives, on the issue of what the limitations are and why they are there.

The U.S.-Saudi special relationship is not so special anymore. The Saudis at least believe the basic deal was cut at the time of the meeting between King Abd al-Aziz and President Roosevelt on a US naval ship in the Great Bitter Lake in 1944. Essentially, the deal granted the United States a privileged position of access to Saudi petroleum reserves and commercial access to Saudi markets in exchange for an unwritten, and yet from the Saudi point of view, quite concrete, commitment from the U.S. to protect Saudi security. That was more or less the accepted premise on the part of both parties, until we entered the decade of the 1980s, where too many contradictory objectives on the US side of the equation began to interfere with the smooth functioning of that relationship. The upshot has been a progressive parting of ways on one element of the security relationship which is probably most important to the Saudis, that is, access to contemporary military technology via arms sales.

The contradiction from the U.S. point of view between open-ended Saudi access to U.S. military supplies and our broader interests in the region, particularly in regard to Israel, is reflected politically in the United States and practically in the Congress. Both King Fahd and Minister of Defense Sultan have said many times over a long period of time that formal agreements were not necessary, and in fact can be very embarrassing to Saudi Arabia. But if the United States wanted to use Saudi facilities, they would be totally at our disposal. Of course, the unspoken qualifier was that we both agree this is in our mutual interest and that we concur in our objectives. This was a fairly obvious qualification.

The division, of course, came with the major purchase first of French naval equipment in 1981 and then, much more recently, the succession of purchases of major aerial and air defense equipment from Britain. These are not interoperable systems, even within the GCC, let alone Saudi Arabia and the United States, and I think the basic premise has shifted. I do not think the Saudis believe any longer that there is a sufficient community of interests within the region to contemplate the United States coming in to perform that role. They still regard the United States as the ultimate guarantor of their security, especially vis-a-vis the Soviet Union. But the character of the role has shifted quite dramatically, and I think in a relatively short period of time given its rather long history.

Second, the case of Oman. When the Sultan of Oman in the late 1970s looked at British politics he drew the inference, incorrectly as it turned out, that there was a good possibility the Conservatives might be replaced by a Labor government which traditionally has been hostile to Oman. Thus, he needed another anchor in the outside world to protect himself against what he saw as an expansionist Soviet Union and its associates in his region. He had just finished fighting the Dhofar rebellion and felt that he had some firsthand experience with the Soviet threat. So he turned to the United States. The result was the 1980 Facilities Access Agreement. When the Sultan came to Washington on a state visit in the spring of 1983, it was a celebration of the new special relationship, and he went away believing that there really was an identity of views about regional security issues and broad strategy in the Middle East between himself and the President, and his officials and U.S. officials.

Superficially, there was a good case for that. Oman was one of two Arab states that did not break relations with Egypt over the Camp David agreements. Oman took a very different view of Israel and the question of Middle East peace-making than most of the rest of the Arab world, and there was hardly a better partner for the United States to work with in the broad strategic sense. Even the use of Oman's real estate to support the failed Desert 1 operation (at the time deceiving Oman as

to what was going on) did not completely shatter the sultan's faith that there was indeed a special relationship. It took U.S. conduct over a period of about two years to accomplish that.

Having achieved what we wanted, which was the access agreement, we then tried to push the Omanis much faster than they were prepared to go to implement that agreement and build upon it. The result was a great deal of bruised feelings on the Omani side. It became increasingly clear that more and more sand was seeping into the gearbox and that it was all Omani sand. Ultimately they felt ignored and neglected; the broad consultation on political objectives in the region that they had expected out of their relationship simply was not forthcoming. I do not think that was a conscious decision on the part of the United States; it was just the absent-mindedness of a great power. After the five-year review in 1985, the access agreement was considerably scaled back and a great deal more Omani veto power was built into it at every conceivable point. Again, as with Saudi Arabia, there are some very serious limitations in our relations with Oman because of the asymmetry in our views of the region and our unwillingness, and even inability, to go as far in collaboration as they may be prepared to go.

Finally, the Kuwaiti case. Relations between the United States and Kuwait were traditionally quite warm for the most part. But from the 1970s onward, they deteriorated, largely over the question of Israel and Middle East peace, and hit bottom when the Kuwaitis rejected Brandon Grove as the ambassadorial nominee to Kuwait. Trying to restore a decent relationship, the Kuwaitis came to the United States during the heat of the tanker war and asked for Stinger missiles, Stingers being the current amulet that you can dangle and ward off all evil. And of course the U.S. refused. Actually, we never really refused; we gave them a "Saudi no." In other words, we never gave them an answer. But it became quite clear even to the Kuwaitis that the answer was no. This symbolism and the importance that arms supplies play throughout the Gulf, not just with Saudi Arabia, but certainly with Kuwait, set things back and they recovered only by the serendipitous way in which

the Iran-Iraq war evolved. But the Kuwaitis are very conscious of the limitations, and those limitations were driven home in the agonizing process of getting the F-18 sale approved earlier this year.

Where is all this likely to lead? I will give you my forecast, but please do not attribute it to me, even if it turns out to be right. The Iraqis right now are very concerned about where the United States is headed with respect to their interests. They are unclear, despite of it having been explained to them quite explicitly, as to what the United States is really up to with this peculiar penchant for condemning people who use chemical weapons. Is this some kind of obscure smokescreen put up to shield what may be really going on between the United States and Iran? I do not think so, and I have told them so. That is hardly persuasive to the Iraqis, and that same sort of suspicion is beginning to raise its head throughout the Gulf. If things go as badly in the course of the passage of the sanctions legislation as I expect it will, it will be very damaging to U.S.-Iraqi bilateral relations. If beyond that, the United States, as a second step, begins to take some initiative to normalize relations with Iran, then the worst fears of not only the Iraqis, but of all of the Gulf Arabs will be realized, and we will see another downward ratchet of the cycle.¹

¹ Let me emphasize that it would be the United States taking the initiative which would be a tragic mistake, not responding to Iranian initiatives, which I think we should do.

Statistical Data and Background Information

Council of Ministers of Saudi Arabia

Head of State and Prime Minister

King Fahd b. Abd al-Aziz

First Deputy Prime Minister

Prince Abdullah b. Abd al-Aziz

Second Deputy Prime Minister, Minister of Defense and Aviation,
and Inspector General

Prince Sultan b. Abd al-Aziz

Minister of Agriculture and Water

Abd al-Rahman b. Abd al-Aziz b. Hasan Al al-Shaykh

Minister of Commerce

Sulayman Abd al-Aziz al-Sulaym

Minister of Communications

Husayn Ibrahim al-Mansuri

Minister of Education

Abd al-Aziz al-Abdallah al-Khuwaytir

Minister of Finance and National Economy

Muhammed Ali Aba al-Khayl

Minister of Foreign Affairs

Prince Saud al-Faysal

Minister of Health

Faysal b. Abd al-Aziz al-Hujaylan

Acting Minister of Higher Education

Abd al-Aziz al-Abdullah al-Khuwaytir

Minister of Industry and Electricity

Abd al-Aziz al-Zamil

Minister of Information

Ali Hasan al-Shair

Minister of Interior

Prince Nayif b. Abd al-Aziz

Minister of Justice

Ibrahim b. Muhammad b. Ibrahim Al al-Shaykh

Minister of Labor and Social Affairs

Muhammad al-Ali al-Fayiz

Minister of Municipal and Rural Affairs

Ibrahim b. Abdullah al-Anqari

Minister of Petroleum and Minerals

Hisham Muhyi al-Din Nazir

Minister of Pilgrimage Affairs and Awqaf

Abd al-Wahhab Ahmad Abd al-Wasi

Acting Minister of Planning

Hisham Muhyi al-Din Nazir

Minister of Posts, Telegraphs and Telecommunications

Alawi Darwish Kayyal

Minister of Public Works and Housing

Prince Mutib b. Abd al-Aziz

Ministers of State

Muhammad Ibrahim Masud
Muhammad Abd al-Latif al-Milhim
Umar Abd al-Qadir Faqih
Turki Khalid al-Sudayri
Muhammad b. Abd al-Aziz b. Zara
Muhammad b. Ibrahim b. Jubayr
Fayiz Badr

Minister of Defense and Aviation

Prince Sultan b. Abd al-Aziz

Deputy Minister of Defense and Aviation

Prince Abd al-Rahman b. Abd al-Aziz

Deputy Minister of Defense and Aviation and Chief of General Staff

General Uthman al-Humayd

Assistant Minister of Defense for Civil Aviation

General Prince Fahd b. Abdullah

Chief of Army Staff

General Muhamed Salih al-Hamad

Commander, Royal Saudi Air Force

Major General Ahmad Ibrahim al-Buhayri

Commander, Royal Saudi Navy

General Talal Salim al-Lutfi

Commander, Air Defense Forces

Major General Prince Khalid b. Sultan

Commander, Royal Guard

Lieutenant General Abdullah al-Ali

Commander, National Guard

Prince Abdullah b. Abd al-Aziz

Deputy Commander, National Guard

Prince Badr b. Abd al-Aziz

SAUDI ARABIA

KEY ECONOMIC FIGURES

Exchange Rate

1985: \$1 = SR 3.62
1986: \$1 = SR 3.75
1987 - 88: \$1 = SR 3.75

BUDGET AND EXPENDITURE

Government Budget

(units in billions)

	<u>1985</u>	<u>1986</u>	<u>1987</u>
Budgeted Revenue	\$55	-	\$31
Budgeted Expenditure	\$55	-	\$45
Bdgtd Surplus/Deficit	\$0	-	-\$14

Note: In mid-1986 the Saudi fiscal year was changed. Prior to this alteration, the fiscal year ran from March to March. Therefore, the figures for 1985 run from March 22, 1985 to March 10, 1986. During a transitional period, from March 11, 1986 to December 30, 1986, no projected budget for Saudi expenditures was formulated. In 1987, the fiscal year ran from December 31, 1986 to December 30, 1987. As of 1987, the Saudi Arabian Government uses the 365-day Zodiacal calendar which closely approximates the Gregorian calendar year.

Actual Revenue and Expenditures

(units in billions)

	<u>1985</u>	<u>1986</u>	<u>1987</u>
Total Actual Revenue	\$36	\$27	\$30*
Total Act. Expenditure	\$50	\$43	\$45*
Actual Surplus/Deficit	-\$14	-\$16	-\$15*

*estimates

Sources: SAMA, IMF statistical reports, and U.S. Embassy estimates as cited in the US Dept. of Commerce Foreign

Spending by Sector
(SR'000)

	1987	1988	% of Total
Municipal Services	8.1	7.7	5.5
Health/Social Development	11.1	7.7	5.5
Education	23.7	21.7	15.4
Transport and Communications	11.9	10.1	7.2
Economic Resources Development	8.4	7.5	5.3
Infrastructure	4.3	na	-
Administration	10.3	6.4	4.5
Lending Institutions	3.6	6.5	4.6
Subsidies	6.8	na	-
Defence and Security	60.8	50.8	36.0
Public Utilities	na	18.6	13.2
Other	21.0	4.1	2.9
Total	170.0	141.1	100.0

Source: Ministry of Finance & National Economy, Riyadh as cited in MEED 9 January 1988

FINANCIAL POSITION

Money, Prices
(billions of US dollars)*

	1984	1985	1986
Money Supply (M3)	41.8	41.0	42.9
Commercial Bank Reserves	2.27	1.82	1.85
Government (SAMA) For. Assets	114.0	101.0	87.0
Commercial Bank For. Assets	20.85	20.0	23.1
Consumer Prices(1983=100)	99.0	96.0	93.0

*end of period

Source: SAMA, IMF statistical reports, and Embassy estimates as cited in the US Dept. of Commerce Foreign Economic Trends

International Reserves

	1985	1986	1987	1988 (April)
Gold (million ounces)	4.60	4.60	4.60	4.60
Foreign exchange (millions of SDR's)	12,528	5,806	7,603	6,743
Reserve position in IMF	9,707	8,838	8,016	7,487
IMF SDR's	529	336	371	419
Total reserves (with gold at SDR 35/ounce)	22,924	15,141	16,151	14,810
Total reserves minus gold	22,764	14,980	15,990	14,649

Source: IMF International Financial Statistics - June 1988

Income and Oil Production

	1985	1986	1987
Gross Domestic Product	\$80 bil.	\$70 bil.	\$65 bil.
Per Capita GDP*	\$8900	\$7800	\$7250
Non Oil % of GDP	68%	73%	70%

Source: Foreign Economic Trends - U.S. Department of Commerce

*Per capita GDP figures are based on a Saudi population of 9 million, including temporary foreign workers. Actual total population figures are not known.

PRIMARY TRADING PARTNERS (\$ million)

Imports:	<u>1986</u>	<u>1987</u>	<u>% Change</u>
US	3449	3373	-2.2
UK	2290	3245	+41.7
Japan	2762	3239	+17.3
Italy	1836	1471*	-19.9
West Germany	1555	1435	-7.7
France	<u>1196</u>	<u>1114</u>	<u>-6.8</u>
Total**	18874+	19467++	+3.1

Exports:	<u>1986</u>	<u>1987</u>	<u>% Change</u>
US	4054	4887	+20.5
UK	663	628	-5.3
Japan	5205	7310	+40.4
Italy	1866	1310*	-29.8
West Germany	871	596	-31.5
France	2128	1224	-42.5
Total**	19834+	23200++	+17.0

* MEED estimates, based on nine months actuals

** Totals include all trading partners

+ Saudi Arabian Monetary Agency (SAMA) import figures are cif and exports include re-exports

++ Finance & National Economy Ministry estimates

Source: Trade ministries; IMF International Financial Statistics; SAMA - as cited in Middle East Economic Digest - April 1988

BALANCE OF PAYMENTS AND TRADE

International Transactions:

	1981	1982	1983	1984	1985	1986
	Billions of Riyals					
Imports,cif	119.30	139.34	135.42	118.74	85.56	70.78
Imports,fob	101.96	119.09	115.74	102.21	79.35	66.15
	Billions of Riyals					
Exports	405.8	271.09	158.44	132.30	99.54	74.38
Petroleum	377.30	251.16	147.89	120.73	-	-
Crude	359.56	235.21	142.15	114.57	-	-
Refined	17.75	15.95	5.74	6.16	-	-
	Million Barrels Per Day					
Petro. Prods*	0.48	0.51	0.38	0.45	0.42	0.52
Crude Oil*	9.02	5.64	3.92	3.19	2.25	3.74
	Volume of Exports (1980=100)					
Petroleum	98.1	63.4	44.4	37.5	-	-
Crude	97.6	61.0	43.0	34.6	41.2	32.0
Refined	107.7	108.4	82.2	93.0	-	-
Export Prices(1980=100 Index in U.S. Prices)**						
Crude Petroleum	113.2	117.5	101.7	100.0	97.5	-
Balance of Payments Def. (\$ billions)***	-18.5	-15.0	-12.0			

* World Oil Trends - Arthur Anderson & Co./Cambridge Energy Research Associates

** Export prices of crude petroleum declined rapidly in the later 1980's. In December, 1987, the indexed price stood at 60.7, while in February 1988, the price figure was 26.3.

***As reported by SAMA, IMF statistical reports, and Embassy estimates as cited in the US Dept. of Commerce, Foreign Economic Trends

Source: IMF International Financial Statistics - June 1988

SAUDI ARABIA - CURRENT OIL PRODUCTION

Oil Production and Revenues

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Million Barrels/Day*	3.2	4.8	4.0	4.2(Jan.-Ap.)
Barrels Exp. to U.S. ('000 b/d)**		685	747	
% of OPEC*	19	25	21	22(Jan.-Ap.)
% of World*	7	10	8	9(Jan.-Ap.)
Refining Capacity ('000 barrels/day)***			1125 (1610 projected in 1990)	
Budgeted Revenue (SR'000 mill.)+	148.9	-	65.2	68.9
Actual Revenue (units in billions)+	SR 87.7	SR 41.9		

* International Energy Agency, Paris, May 1988, as cited in MEED 3 June 1988

** MEED/US Energy Information Administration, Department of Energy, as cited in MEED 9 April 1988

***World Oil Trends - Arthur Anderson & Co./Cambridge Energy Research Associates

+ Ministry of Finance & National Economy, Riyadh, as cited in MEED 9 January 1988

SAUDI ARABIA PRODUCTION OF CRUDE OIL, 1960 - 1986* (million barrels per day)

1960	1.31	1970	3.80	1980	9.90
1961	1.48	1971	4.77	1981	9.82
1962	1.64	1972	6.02	1982	6.48
1963	1.79	1973	7.60	1983	5.09
1964	1.90	1974	8.48	1984	4.66
1965	2.21	1975	7.08	1985	3.39
1966	2.60	1976	8.58	1986	5.05
1967	2.81	1977	9.25		
1968	3.04	1978	8.30		
1969	3.22	1979	9.53		

*includes one-half of the production in the Partitioned Zone;
also includes lease condensate, but not natural gas plant liquids

SOURCE: Annual Energy Review 1986, Energy information
Administration

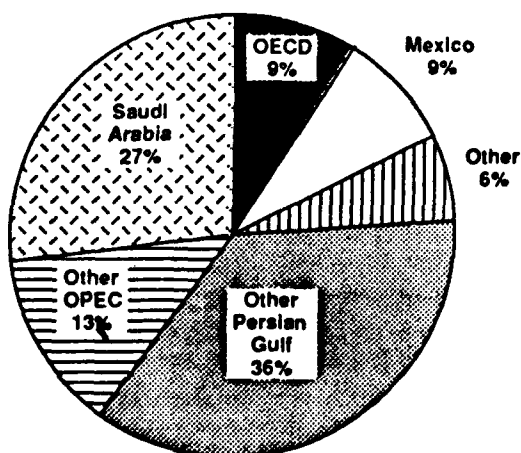
**SELECTED GULF STATES'
ESTIMATED CRUDE OIL AND NATURAL GAS RESERVES**

	Crude Oil (billion barrels)		Natural Gas (trillion cubic feet)	
	1976	1986	1976	1986
Bahrain	0.3	0.1	3	7
Iran	63.0	48.8	330	450
Iraq	34.0	47.1	27	28
Kuwait*	70.6	94.5	34	41
Oman	5.8	4.0	2	8
Qatar	5.7	3.2	1	4
Saudi Arabia*	113.2	169.2	66	130
United Arab Emirates	31.2	33.1	23	105
Regional Total	325.9	401.9	513	925

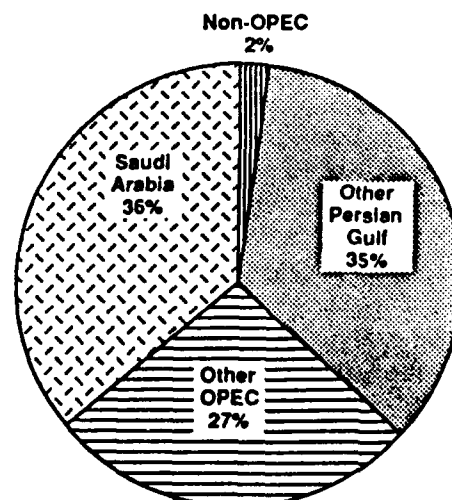
* Includes one-half of the Partitioned Zone

SOURCE: Annual Energy Review 1986, Energy Information
Administration, Department of Energy

**Shares of Free-World Oil Reserves
(as of January 1, 1987)**



**Shares of Surplus Oil Production
Capacity in 1986**



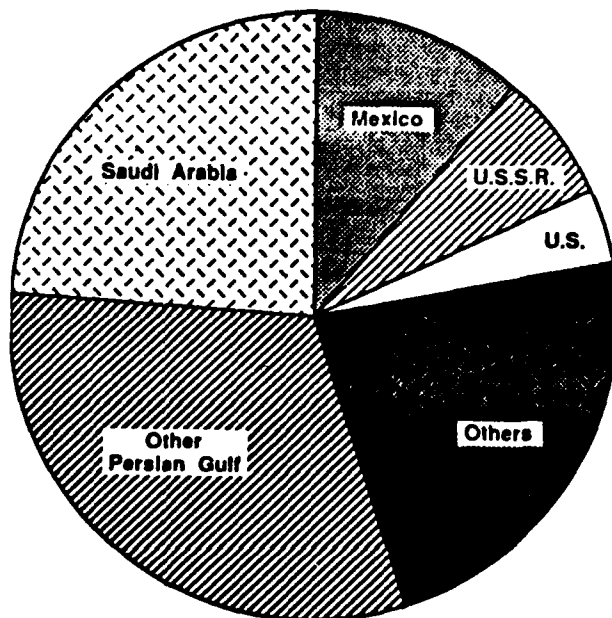
SOURCE: Annual Energy Review 1986, Energy Information
Administration

MAJOR GULF COOPERATION COUNCIL MEMBERS' OIL REVENUES
(Millions of Dollars)

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Saudi Arabia	44832	36263	25936	21190
Kuwait	19225	12255	13115	6600
UAE	13811	13677	13395	5890
Qatar	3123	4287	3355	1460
	<u>80991</u>	<u>66482</u>	<u>55801</u>	<u>35140</u>

Source: World Oil Trends - Arthur Anderson & Co./Cambridge Energy Research Associates

World Crude Oil Reserves
(700 Billion Barrels)



SOURCE: Annual Energy Review 1986, Energy Information Administration

SAUDI ARABIA
VALUE OF ARMS TRANSFERS, CUMULATIVE 1982 - 1986
BY MAJOR SUPPLIER
(million current dollars)

Total	Soviet Union	United States	France	U.K.	FRG	Others
16,715*	0	6,100	6,800	1,200	90	2,525

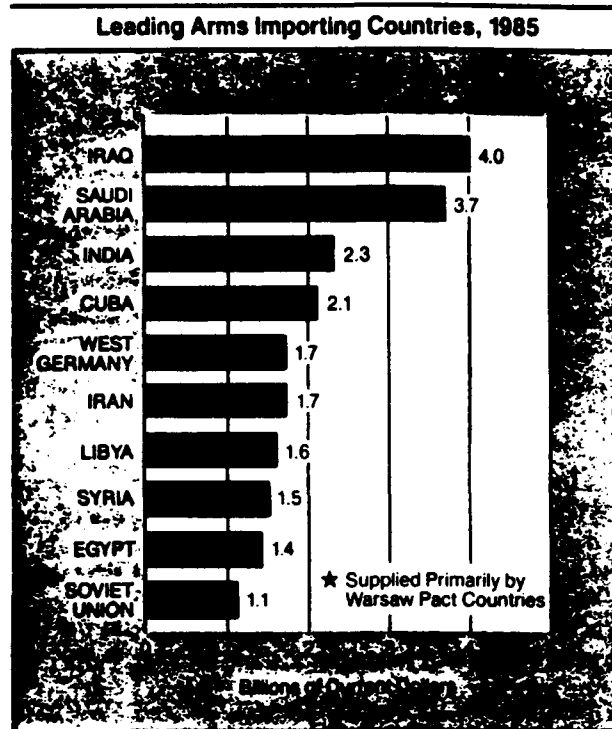
*Includes some purchases of equipment by the U.S. Army Corps of Engineers from indeterminable supplier countries for use in construction projects in Saudi Arabia and recorded in U.S. accounts as imports to the U.S.

MILITARY EXPENDITURES, ARMED FORCES & GNP, 1975 - 1985

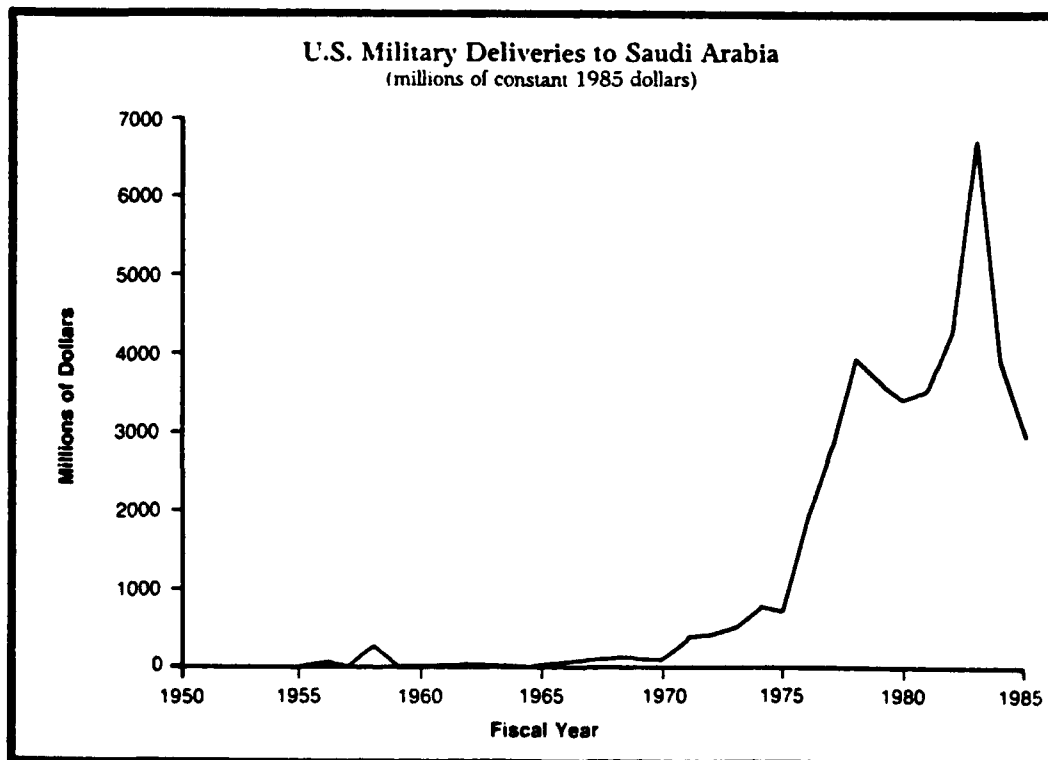
	Military Expenditures (\$ 000,000) current constant 1984	Armed Forces (AF) (000)	ME GNP %	ME CGE %	ME per capita US\$ constant 1984	AF per 000 people (soldiers)	
1975	6267	11380	75	17.4	34.1	1563	10.3
1976	9062	15480	75	19.1	35.5	2023	9.8
1977	9137	14630	75	15.3	25.3	1787	9.2
1978	10330	15420	75	15.9	29.0	1752	8.5
1979	13290	18230	79	18.1	27.3	1925	8.3
1980	16090	20220	79	14.4	26.7	1992	7.8
1981	19760	22650	79	12.9	28.1	2099	7.3
1982	23650	25480	80	15.7	27.7	2230	7.0
1983	26620	27620	80	23.4	29.6	2285	6.6
1984	21890e	21890e	95	21.3	29.0	1715	7.4
1985	22900e	22190e	96	24.4	27.0	1651	7.1

e-estimated

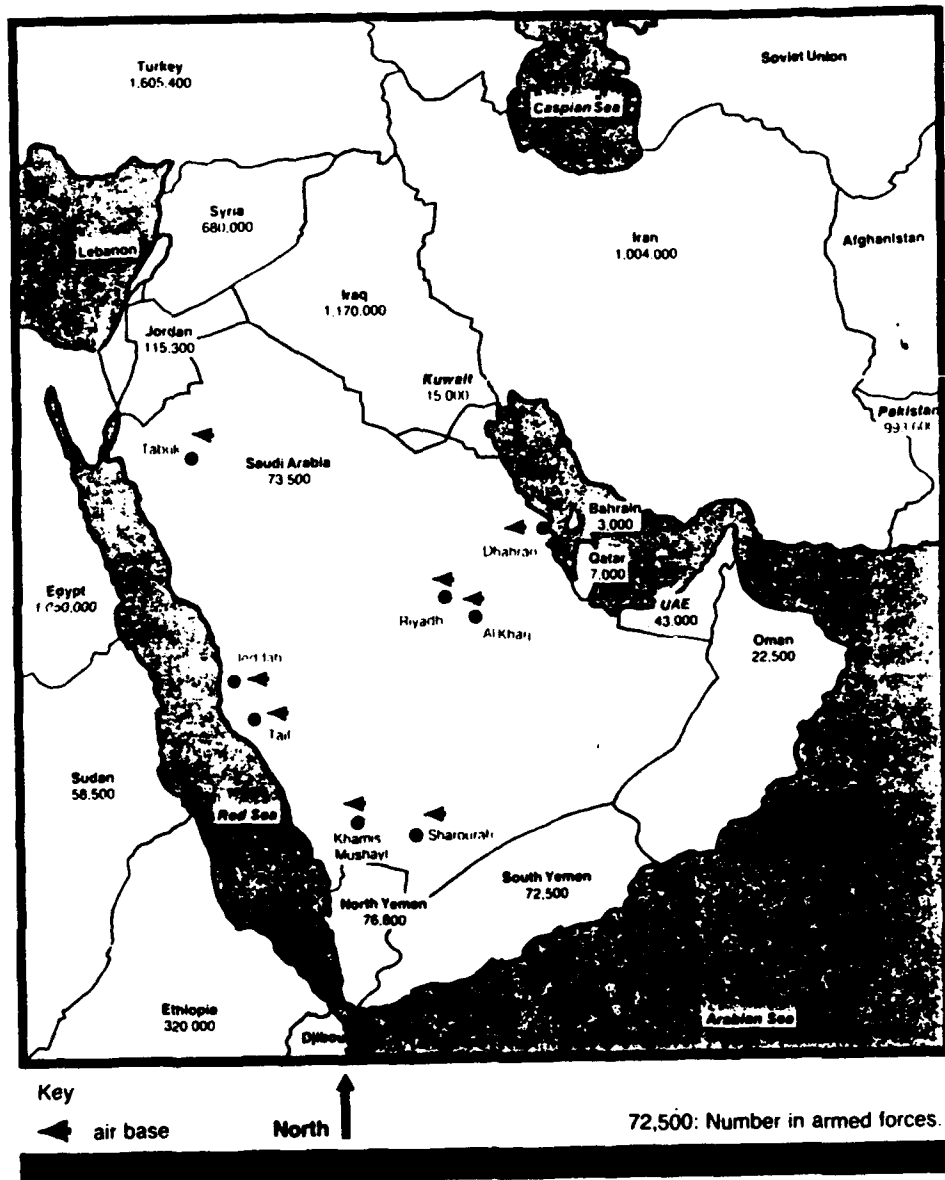
SOURCE: World Military Expenditures and Arms Transfers 1987,
U.S. Arms Control & Disarmament Agency, Bureau of
Nuclear and Weapons Control, Defense Program and
Analysis Division, Washington, D.C.: GPO, 1988



SOURCE: World Military Expenditures and Arms Transfers 1987,
Arms Transfers U.S. Arms Control and Disarmament Agency



SOURCE: DSAA Fiscal Year Series, IRRRC Calculations



SELECTED GULF COUNTRIES BASIC MILITARY DATA

BAHRAIN

GDP 1985: D 1.75 bn (\$4.65 bn)
 1986: D 1.50 bn (\$3.99 bn)
 growth 1985: -7.0% 1986: -14.0%
 Inflation 1985: -2.5% 1986: -2.0%
 Debt 1985: \$330.0 m 1984: \$375.0 m
 Def bdt* 1986: D 50.70 m (\$134.84 m)
 1987: D 51.70 m (\$137.50 m)

\$1 = D (1985/6/7): 0.3760

D = dinar

Population: 298,500 (excl some 150,000 expatriates)

	18-30	31-45
Men:	77,000	65,000
Women:	47,000	24,000

TOTAL ARMED FORCES:

Active: 2,800.

Terms of service: voluntary.

ARMY: 2,300.

1 bde:

1 inf bn.

1 armd car sqn.

1 arty, 2 mor btys.

Equipment:

Tks: 60 M-60A3.

AFV: *recce*: 8 *Saladin*, 20 AML-90, 8 *Ferret*.

APC: some 10 AT-105 *Saxon*, 90 Panhard M-3.

Arty: guns: 105mm: 8 lt.

how: 155mm: 7 M-198.

Mor: 81mm: 6.

ATK: RCL: 120mm: 6 MOBAT.

ATGW: 60 BGM-71A *TOW*.

AD: SAM: 50+ RBS-70.

NAVY: 300.

Base: Jufair (Manama).

FAC(G):

2 Lürssen type 62-001 (62-m) with 2 x 2

Hurpoon SSM;

2 Lürssen 45-m with 4 *Exocet* MM-40 SSM.

FAC: 2 Lürssen 38-m.

Amph: LCU: 1 40-m.

AIR FORCE: 200;

12 combat ac. no armed hel.

FGA: 1 sqn with 6 F-5E, 6 F-5F.

Tpt: 1 *Gulfstream II* (VIP).

Hel: 1 sqn with 10 AB-212, 3 BO-105.

2 Hughes 500D.

AAM: AIM-9P3 *Sidewinder*.

PARA-MILITARY (Ministry of Interior):

Coast-Guard 180; 23 coastal patrol craft,

2 landing craft, 1 hovercraft.

Police 2,000; 2 Bell 412, 2 *Scout* AH-1 hel.

* Excl a \$1.0-bn GCC subsidy, shared between Bahrain and Oman, probably used for equipment purchases and military construction projects. Also excl internal security costs, est at D35 m for 1986 and 1987.

IRAN

GDP 1984/5: r 14.60 bn (\$158.86 bn)
 1985/6: r 12.90 bn (\$147.04 bn)

growth 1985: -0.1% 1986: -12.0%

Inflation 1985: 4.4% 1986: 30.0%

Debt 1985: \$0.8 bn 1986: minimal

Def bdt* 1986/7ε: r 465.00 bn (\$6.07 bn)

1987/8ε: r 436.00 bn (\$6.11 bn)

\$1 = r (1984/5): 91.902 (1985/6): 87.733
 (1986/7): 76.550 (1987): 71.411

r = rial

Population: 49,900,000

	18-30	31-45
Men:	5,153,000	3,831,000
Women:	4,848,400	3,574,000

TOTAL ARMED FORCES:

Active: 654,500.

Terms of service: 24 months.

Reserves: Army: 350,000, ex-service volunteers.

ARMY: 305,000 (perhaps 250,000 conscripts).

(?) Army HQ.

3 mech divs (each 3 bdes: 9 armd, 18 mech bns).

7 inf divs.

1 AB bde.

1 Special Forces div (4 bdes).

Some indep armd. inf bdes (incl 'coastal force').

12 SAM bns with *Improved HAWK*.

Ground Forces Air Support units.

Reserve: 'Qods' bns (ex-service).

Equipment:†

Tks: perhaps 1,000: T-54/-55, 260 Ch T-59, T-62, T-72, *Chieftain* Mk 3/5, M-47/-48, M-60A1.

lt: 50 *Scorpion*.

AFV: *recce*: 130 EE-9 *Cascavel*.

MICV: 180 BMP-1.

APC: 500 BTR-50/-60, perhaps 250 M-113.

Arty: some 750+:

guns: 130mm: M-46, 175mm: 30 M-107 SP.

how: 105mm: M-101, 36 Oto Melara;

155mm: M-109A1 SP;

203mm: 10 M-110 SP.

MRL: 12 x 107mm: Ch Type-63;

40 x 122mm: 65 BM-21.

SSM: *Scud*: local manufacture msils reported

incl *Oghab* 40-km range (*FROG*-type).

Mor: 81mm; 107mm: M-30 4.2-in.; 120mm: 3,000.

ATK: RCL: 57mm; 75mm; 106mm: M-40A/C.

ATGW: *ENTAC*, SS-11/-12, M-47 *Dragon*,

BGM-71A *TOW*.

AD: guns: 1,500: 23mm: ZU-23 towed,

ZSU-23-4 SP; 35mm: 92; 37mm;

57mm: ZSU-57-2 SP.

SAM: *Improved HAWK*, SA-7, some 300

RBS-70.

Avn: ac: incl 56 Cessna (185, 310, O-2A),
 2 F-27, 5 *Shrike Commander*,
 2 *Mystère-Falcon*;
 hel: (attack): AH-1 *Cobra*; (hy tpt): CH-47C
Chinook.
 (270 Bell 214A, 35 AB-205A, 15 AB-206
 were also held.)

(Captured Iraqi eqpt in service.)
 (On order: no confirmed information.)

REVOLUTIONARY GUARD CORPS (*Pasdaran Inqilab*):

Ground Forces: some 300,000; 11 Regional Commands: loosely org in bns of no fixed size, grouped into perhaps 8 divs and many indep bdes, incl inf, armd, para, special forces, arty incl SSM, engr, AD and border defence units, serve indep or with Army; small arms, spt weapons from Army; controls *Basij* (see below) when mobilized.

Naval Forces: strength unknown, five island bases (Al Farsiya, Halul (oil platform), Sirri, Abu Musa, Larak); some 40 Swedish Boghamma Marin small launches armed with ATGW, RCL, machine guns. Italian SSM reported. Controls coast defence elms incl arty and Ch HY-2 *Silkworm* SSM in at least 3 sites, each 3-6 msls.

Marines: 3 bdes reported.

Air Forces: forming; to have AD role in static defence of major installations. Some pilots, possible 'manned bomb' suicide role. May have 22 F-6.

NAVY: 14,500, incl naval air and marines.†
Bases: Bandar Abbas (HQ), Bushehr, Kharg, Bandar-e-Anzelli, Bandar-e-Khomeini, Chah Bahar (building).

Principal Combatants:

Destroyers: 3 (believed non-operational):

1 Br *Battle* with 2 × 4 *Standard* SSM, 1 × 4 *Seacat* SAM;

2 US *Sumner* with 4 × 2 *Standard* SSM reported.

Frigates: 4 *Vosper* Mk 5 with 1 × 5 *Seakiller* SSM (1 possibly operational).

Corvettes: 2 (?) US PF-103 (non-operational).

Minor Combatants (few operational):

FAC(G): 11 *Kaman* (*La Combattante II*)
 (? 10 serviceable) fitted for *Harpoon* SSM
 (none now held).

Patrol craft, large: 4 *Cape*, hovercraft: 6 BH-7 Mk 4, coastal: 3 S. Korean 30-m.

MCMV: coastal: 1 US MSC 292/268.

Amph: LST: 4 *Hengam*, **LSM:** 4 *Neth*.

Spt: 1 replenishment, 2 Bandar Abbas oiler fleet supply, 1 repair ship.

Msls: SSM: c 200 HY-2

Marines: 3 bns.

(On order: 6 Type-1200 subs; 1 more sub stated to be under domestic construction, may be for *Pasdaran*.)

NAVAL AIR: ?1 combat ac, ?14 armed hel.

MR: 1 sqn with 5 P-3F *Orion*
 (?1 operational)

ASW: 1 hel sqn with ?12
 SH-3D

} may
 have
 combined.

MCM: 1 hel sqn with 2 RH-53D.

Tpt: 1 sqn with 4 *Shrike Commander*, 4 F-27,
 1 *Mystère-Falcon* 20 ac, 7 AB-212 hel.

AIR FORCE: 35,000;

?60 serviceable combat ac, no armed hel.†

FGA: 8 sqns:

4 with some 35 (?20) F-4D/E;

4 with some 45 (?20) F-5E/F.

Interceptor: (?10) F-14; 10 J-6.

Recce: 1 sqn (dets) with some 5 F-5,
 3 RF-4E.

Tanker/tpt: 2 sqns: 17 Boeing (10 707,
 7 747).

Tpt: 5 sqns: 26 C-130E/H *Hercules*, 9 F-27,

2 *Aero Commander* 690, 4 *Mystère-Falcon* 20.

Hel: 10 HH-34F (S-55), 10 AB-206A,

5 AB-212, 39 Bell 214C, 10 CH-47 *Chinook*,
 2 S-61A4.

Trg: incl 26 F-33A/C *Bonanza*, 7 T-33,
 46 PC-7, 2 J-6.

SAM: 5 sqns with *Rapier*, 25 *Tigercat*, CSA-1
 (Ch. version of SA-2).

AAM: *Phoenix*, AIM-9 *Sidewinder*, AIM-7
Sparrow.

ASM: AS-12, *Maverick*.

Forces Abroad: Lebanon: Revolutionary Guard
 1,000.

PARA-MILITARY:

Basij 'Popular Mobilization Army' volunteers,
 mostly youths: strength varies to as high as 1
 million during periods of offensive
 operations. Org in up to 500 300-350-man
 'bns' of 3 coys, each 4 platoons and spt;
 grouped in named formations/forces with a
 strength of up to 130,000; small arms only.

Gendarmerie (45,000 incl border guard elm);
 Cessna 185/310 lt ac, AB-205/-206 hel, patrol
 boats 96 coastal, 40 harbour craft
 (purchased, some lost).†

Sevama secret police.

Kurds: Kurdish Democratic Party armed wing
Pesh Merga ?12,000.

OPPOSITION:

Kurdish Communist Party of Iran (KOMALA)
 strength unknown.

Democratic Party of Iranian Kurdistan (DPIK):
 perhaps 10,500.

* Excl some \$0.8 bn available from the development
 fund, and \$2.8 bn in foreign exchange for military
 purchases.

† Losses and incomplete reporting of resupply makes
 eqpt estimates very tentative. Reports of Chinese tk
 and ac deliveries possible but unconfirmed; MRL
 identified. Operational status of US-source eqpt
 impossible to confirm.

IRAQ

GDP 1985: D 6.80 bn (\$21.87 bn)
 1986: D 5.50 bn (\$17.69 bn)
growth 1985: -14% 1986: -22.0%
Inflation 1985: 25.0% 1986: 28.0%
Debt* 1985: \$48 bn 1986: \$50.5 bn
Def exp 1985: D 4.0 bn (\$12.866 bn)
 1986: D 3.60 bn (\$11.58 bn)

\$1 = D (1985/6): 0.3109

D = dinar

Population: 15,900,000

	18-30	31-45
Men:	1,423,000	1,274,000
Women:	1,743,000	1,132,000

TOTAL ARMED FORCES:

Active: 1,000,000.

Terms of service: basic 21-24 months,
 extended for war.

Reserves: Peoples Army (Para-military)
 ε 650,000

ARMY: 955,000 (incl perhaps 480,000 active reserves).

7 corps HQ.

5 armd divs ('type': 1 armd, 1 mech bde; varies).
 3 mech/mot inf divs.

30 inf divs (incl Peoples Army/volunteer inf and Reserve bdes).

1 Presidential Guard Force (3 armd, 1 inf, 1 cdo bdes).

6 special forces bdes.

Equipment:†

Tks: some 4,500: T-54/-55/-62/-72, 1,500
 T-59/-69 II, 150 *Chieftain* Mk 3/5, M-60,
 M-47, 60 M-77.

lt: 100 PT-76.

AFV: about 4,000:

recce: incl BRDM-2, FUG-70, ERC-90,
 MOWAG Roland, EE-9 *Cascavel*, EE-3
Jararaca.

MICV: 1,000 BMP.

APC: BTR-50/-60/-152, OT-62/-64, VC-TH
 (with *HOT* ATGW), M-113A1, Panhard
 M-3, EE-11 *Urutu*.

Arty: 3,000:

guns: 122mm: D-74;
 130mm: M-46, Type 59-1;
 155mm: some 5 GCT SP.

gun/how: 152mm: M-1937;
 155mm: 40 G-5, 40 GHN-45.

how: 105mm: M-56 pack;
 122mm: D-30 towed, M-1938, M-1974
 (2S1);

152mm: M-1943, M-1973 (2S3) SP;

155mm: M-114/M-109 SP.

MRL: 200: incl 122mm: BM-21; 127mm: 60

ASTROS II; 132mm: BM-13/-16.

SSM: 30 *FROG*-7, 20 *Scud* B.

Mor: 81mm, 120mm, 160mm.

ATK: **RCL:** 73mm: SPG-9; 82mm: B-10; 107mm.

guns: 85mm; 100mm towed; 105mm: 100 JPz
 SK-105 SP.

ATGW: AT-3 *Sagger* (incl BRDM-2), AT-4

Spigot reported, SS-11, *Milan*, *HOT*.

Avn (Army Air Corps): (?150) armed hel.

attack (?40) Mil Mi-24 *Hind* with AT-2

Swatter, 50 SA-342 *Gazelle* (some with

HOT); 10 SA-321 *Super Frelon*, some with

Exocet AM-38 ASM; some 30 SA-316B

Alouette III with AS-12 ASM; some

56 BO-105 with AS-11 ATGW; 86 Hughes

(26 -530F, 30 -500D, 30 -300C).

tpt (hy): 10 Mi-6 *Hook*, (med): 100 Mi-8,

20 Mi-4, 10 SA-330 *Puma*.

AD: **guns:** 4,000: 23mm: ZSU-23-4 SP; 37mm:

M-1939 and twin; 57mm: incl ZSU-57-2

SP; 85mm; 100mm; 130mm.

SAM: 120 SA-2, 150 SA-3, SA-6, SA-7, SA-9,
 60 *Roland*.

(Captured Iranian eqpt in service.)

(On order: 250 EE-9 *Cascavel* AFV; 80 GCT

155mm SP guns, Bell 214 ST hel.)

NAVY: 5,000.†

Bases: Basra, Umm Qasr.

Frigates: 5:

4 *Lupo* with 8 *Otomat*-2 SSM, 1 × 8

Albatros/Aspide SAM, 1 hel: held in Italy.

1 *Yug* (trg).

Corvettes: 6 *Assad* all with 1 × 4

Albatros/Aspide SAM:

2 with 2 *Otomat*-2 SSM, 1 hel;

4 with 6 *Otomat*-2 (completed, held in
 Italy).

FAC(G): 8 *Osa* (6 II, 2 I) with 4 *Stryx* SSM.

FAC(T): 4 P-6 (may not be operable).

Patrol craft: large: 3 SO-1; coastal: 5 *Zhuk*.

Minesweepers: ocean: 2 Sov T-43, 3 *Yevgenya* (;
 inshore/river: 3 *Nestin*).

Amph: LSM: 3 *Polnocny*; LST: 3 mod cargo.

Spt ships: 1 *Stromboli* (held in Italy); 2

Poluchat torpedo spt, 1 *Agnadeen* tanker,

1 tpt.

AIR FORCE: 40,000 incl 10,000 AD personnel:

500+ combat ac, no armed hel.

Bhrs: 2 sqns:

1 with Tu-22, 1 with Tu-16.

FGA: 11 sqns:

4 with MiG-23BM;

4 with *Mirage* F-1EQ5 (*Exocet*-equipped).

Mirage F-1EQ-200;

3 with Su-7 and Su-20.

(Su-25 reported.)

Interceptors: 5 sqns:

Some 25 MiG-25, some 40 MiG-19, some
200 MiG-21, 30 *Mirage F-1EQ*.

(MiG-29 reported.)

Recce: 1 sqn with 5 MiG-25.

Tpt ac: 2 sqns:

10 An-2 *Colt*; 10 An-12 *Cub*, 6 An-24 *Coke*
(retiring); 2 An-26 *Curl*, 19 Il-76 *Candid*,
19 Il-14 *Crate*, 1 DH *Heron*.

Trg: incl MiG-15/-21/-23U, Su-7U, *Hunter*
T-69; 16 *Mirage F-1BQ*; 50 L-29 *Delfin*,
40 L-39 *Albatros*, 50 PC-7 *Turbo Trainer*,
21 EMB-312 *Tucano*.

AAM: R-530, R-550 *Magic*, AA-2/-6/-7/-8.

ASM: AS-30 *Laser*, *Armat*, *Exocet* AM-39,

AS-4 *Kitchen*, AS-5 *Kelt*.

(On order: no confirmed information.)

PARA-MILITARY:

Frontier Guards.

Security troops 4,800.

OPPOSITION: Kurds.

Kurdish Democratic Party KDP: 10,000 (20,000
more in militia); small arms, some Iranian lt
arty, MRL, mor, SAM-7.

Kurdish Workers Party: strength unknown;
breakaway from KDP, anti-Iran, Syria-based.

Patriotic Union of Kurdistan (PUK): 4,000
combat (plus 6,000 spt).

Eqpt: MBT: 6 T-54/-55, mor: 450: 60mm:

120mm, RCL: 106mm, AD guns: 12.5mm:

some 200, SAM: SA-7.

Socialist Party of Kurdistan: ?1,500 armed.

* Excl \$35-45 bn in economic and military subsidies
from GCC members over the past seven years.

† Losses and incomplete reporting of resupply makes
eqpt estimates very tentative.

KUWAIT

GDP 1985/6: D 5.94 bn (\$20.10 bn)
1986/7: D 5.10 bn (\$17.56 bn)
growth 1985/6: -12.0% 1986/7: -14.0%
Inflation 1985: 1.5% 1986: 1.0%
Debt 1985: \$3.7 bn 1986: \$4.3 bn
Def exp* 1986/7e: D 403.00 m (\$1.39 bn)
1987/8e: D 390.0 m (\$1.42 bn)
\$1 = D (1985/6): 0.2957 (1986/7): 0.2904
(1987): 0.2757

D = dinar

Population: 1,780,000 (incl 1.15 m expatriates)
18-30 31-45
Men: 225,000 169,000
Women: 201,000 139,000

TOTAL ARMED FORCES:

Active: 15,000 (excl Navy).

Terms of service: 2 years (university students,
1 year).

Reserves: conscript force; exists, no details.

ARMY: 13,000.

2 armd bdes.

2 mech inf bdes.

1 SSM bn.

Equipment:

Tks: 90 Vickers Mk 1, 10 *Centurion*, 160
Chieftain.

AFV: **reccs:** 100 *Saladin*, 60 *Ferret*.

APC: 200 M-113, 100 *Saracen*.

Arty: **guns:** 155mm: 40 AMX Mk F-3 SP.

how: 18 M-109A2 SP. **SSM:** 4 *FROG-7*.

Mor: 81mm.

ATGW: *HOT*, BGM-71A *TOW/Improved TOW*
(incl 56 M-901 SP), *Vigilant*.

SAM: SA-6, SA-7, SA-8 *Gecko*.

(On order: *Scorpion* lt tks, some 4,000 *Improved*
TOW, SA-7, SA-8 SAM.)

NAVY (administered by Ministry of the
Interior): 1,100.

Base: Kuwait City.

FAC(G): 8 all with 4 MM-40 *Exocet* SSM;
6 Lürssen TNC-45.

2 Lürssen FPB-57.

Patrol craft, coastal: some 50, (15 armed).

Amph: LCM: 4 *Loadmaster*; LCU: 6.

Spt ships: 3 320-ton.

Marine cdos: c 50.

(On order: 20 *Sedan* patrol craft; 6 SRN-6
hovercraft; SA-365N *Dauphin II* hel; *Exocet*
MM-40 SSM.)

AIR FORCE: 2,000 (excl foreign personnel);
80 combat ac, 23 armed hel.

FGA: 2 sqns with 30 A-4KU, 4 TA-4KU
Skyhawk.

Interceptor: 1 sqn with 32 *Mirage F-1CK*,
2 F-1BK.

COIN/trg: 1 sqn with 12 *Hawk*.

Tpt: 2 DC-9, 4 L-100-30; used also in civil role.

Hel: 3 sqns:

attack: 23 SA-342K *Gazelle*.

lpt: 12 SA-330 *Puma*, 5 AS-332 *Super Puma*.

Trg: incl 9 BAC-167 *Strikemaster*.

AD: 1 bn (4 btys) with 8 twin *Improved HAWK*
SAM.

AAM: R-550 *Magic*, Super R-530, AIM-9
Sidewinder.

ASM: AS-11/-12.

(Store: 12 *Lightning*, 9 *Hunter*.)

(On order: 6 AS-332F *Super Puma* hel;
12 AM-39 *Exocet* ASM; AD radar and
command system.)

PARA-MILITARY:

National Guard: Palace, Border Guard.

20 V-150, 62 V-300 *Commando* APC.

* Excl capital expenditure.

OMAN

GDP 1985: R 3.57 bn (\$10.35 bn)
 1986: R 2.34 bn (\$6.10 bn)
 growth 1985: 2.0% 1986: -33.0%
 Inflation 1984: 0% 1985: -1.1%
 Debt 1985: \$2 bn 1986: \$3 bn
 Def bdgt 1986: R 601.00 m (\$1.56 bn)
 1987: R 580.00 m (\$1.51 bn)
 FMA see note*
 \$1 = R (1985): 0.3454 (1986/7): 0.3845
 R = rial
 Population: 1,330,000
 18-30 31-45
 Men: 145,000 125,000
 Women: 125,000 87,000

TOTAL ARMED FORCES:

Active: 21,500 (excl Royal Household tps, but
 incl some 3,700 foreign personnel).
Terms of service: voluntary.
 Reserves: National Volunteer Reserve Force
 (Army): 1,000; obligation to age 35-45.

ARMY: 16,500.

2 bde HQ.
 1 armd regt (2 tk sqns, 1 SP arty bty).
 3 arty regts (2 lt, 1 med), 1 lt AA bty.
 1 recce regt (2 armd car sqns).
 8 inf 'regts' (bns).
 1 sigs regt.
 1 fd engr regt (2 sqns).
 1 para regt.

Equipment:

Tks: 6 M-60A1, 33 *Qayid al-Ardh* (Chieftain).
 lt 30 *Scorpion*, 6 VBC-90.
 AFV: MICV (VAB): 2 VCAC with *Milan*, 2 VD
 (AD; 20mm), 2 PC.
 APC: 6 VAB VCI, 15 AT-105 *Saxon*.
 Arty: 93: guns: 105mm: 39 ROF lt;
 130mm: 12 M-1946.

gun/how: 88mm: 18 25-pdr.
 how: 155mm: 12 FH-70, 12 M-109A2 SP.
 Mor: 60mm: 81mm: L-16; 107mm:
 12 M-30 4.2-in.; 120mm: 12.
 ATGW: 10 BGM-71A *TOW*, *Milan*.
 AD: guns: 16: 23mm: 4 ZU-23-2;
 40mm: 12 *Bofors* L/60. SAM: *Blowpipe*.

NAVY: 2,000.

Bases: Muscat, Raysut, Ghanam (Goat) Island,
 Wadam Alwi.
 FAC(G): 3 *Province* with *Exocet* SSM: 2 with
 2 x 4, 1 with 2 x 3 MM-40.
 FAC: 4 *Al Wafi*.
 Patrol craft, inshore: 4 60-ton.
 Amph: LST: 2 (1 comd); LCM: 3; LCU: 2.
 Trg ship: 1.
 (On order: 1 *Province* FAC(G).)

AIR FORCE: 3,000:

53 combat ac, no armed hel.
 FGA: 2 sqns with 20 *Jaguar* S(O) Mk 1, 4 T-2.
 FGA/recce: 1 sqn with 12 *Hunter* FGA-73.
 4 T-7.
 COIN/trg: 1 sqn with 13 BAC-167 *Strikemaster*
 Mk 82.
 Tpt: 3 sqns:
 1 with 3 BAC-111, 1 *Mystère-Falcon* 20;
 2 with 7 BN-2 *Defender/Islander*, 15 *Skyvan*
 3M, 3 C-130H *Hercules*.
 Hel: 2 sqns:
 tpt (med): 20 AB-205, 4 AB-212, 2 AS-332
Super Puma, 5 AB-214B. (lt): 3 AB-206.
 AD: 2 sqns with 28 *Rapier* SAM.
 AAM: AIM-9 *Sidewinder*, R-550 *Magic*.
 (On order: 8 *Tornado* fr; 1 C-130H,
 2 DHC-5D *Buffalo* tpts; 6 Bell 214ST hel;
 300 AIM-9P *Sidewinder* AAM; 2 S-713 (3-D
 radar) systems, 28 *Blindfire* radars.)

ROYAL HOUSEHOLD:

1 Royal Guard bde.
 1 special force regt.
 Royal Yacht: 1.
 Royal flt: 1 *Gulfstream*, 1 DC-8, 1 VC-10 tpts;
 2 AS-202 *Bravo*.

PARA-MILITARY:

Tribal Home Guard (*Firqat*): 5,000.
 Police Coastguard: 15 AT-105 APC, 11 coastal,
 3 inshore patrol, 13 spt craft, 28 speedboats.
 Air Wing: 1 Gates *Learjet*, 2 Do-228-100,
 2 *Merlin* IVA, 2 DHC-5 *Buffalo* ac,
 5 AB-205, 3 AB-206 hel.
 Musandam Security Force (Shikuk Tribal
 Militia): 85.

* \$1.8 bn military subsidy from GCC between 1984
 and 1991.

QATAR

GDP 1985: R 19.65 bn (\$5.40 bn)
 1986: R 16.70 bn (\$4.59 bn)
 growth 1985: -10.0% 1986: -15.0%
 Inflation 1985: 1.1% 1986: -1.0%
 Def bdgt 1983/4: R 604.00 bn (\$165.94 bn)
 \$1 = R (1983/4/5/6): 3.6399
 R = rial

Population: 310,000 incl expatriates
 (indigenous population 85,000)

TOTAL ARMED FORCES:

Active: 7,000.

Terms of service: voluntary.

ARMY: 6,000.

1 Royal Guard regt.

1 tk bn.

5 inf bns.

1 arty bty.

1 SAM bty with *Rapier*.

Equipment:

Tks: 24 AMX-30.

AFV: *recce*: 10 *Ferret*. MICV: 30 AMX-10P.

APC: 25 *Saracen*, 136 VAB, 8 *Commando* Mk 3.

Arty: gun/how: 88mm: 8 25-pdr.

how: 155mm: 6 Mk F-3 SP.

Mor: 81mm.

ATK: RCL: 84mm: *Carl Gustav*.

ATGW: *Milan*.

AD: SAM: 18 *Rapier*, *Blowpipe*.

NAVY: 700 incl Marine Police.

Base: Doha.

FAC(G): 3 *La Combattante* IIIB with 8 MM-40 *Exocet* SSM.

Patrol craft, large: 6 Vosper Thornycroft 120-ton; coastal: 43(2 75-ft, 4 *Tracker*, 2 13-ton, 7 P-1200-type, 25 *Spear*, 2 *Interceptor* (SAR), other.

Coast defence: 3 MM-40 *Exocet*.

AIR FORCE: 300:

23 combat ac. 3 armed hel.

FGA: 14 *Mirage* F-1 (12 -E, 2 -B).

2 *Hunter* FGA-78, 1 T-79, 6 *AlphaJet*.

Tpt: 1 BN-2 *Islander*, 1 Boeing 727, 2 707.

Hel: 3 SA-342 *Gazelle*, 17 Westland

(2 *Whirlwind*, 3 *Commando* Mk 2A,

1 Mk 2C, 8 Mk 3, 3 *Lynx*), 6 AS-332

Super Puma).

SAM: 5 *Tigercat*.

PARA-MILITARY: Police: 3 *Lynx*, 2 *Gazelle* hel.

SAUDI ARABIA

GDP 1985: R 339.22 bn (\$93.65 bn)
 1986: R 305.30 bn (\$82.44 bn)
 growth 1985: -7.0% 1986: -9.0%
 Inflation 1985: -1.0% 1986: -3.0%
 Def bdgt 1986: R 64.09 bn (\$17.30 bn)
 1987: R 60.80 bn (\$16.23 bn)
 \$1 = R (1985): 3.6221 (1986): 3.7033
 (1987): 3.7450

R = rial

Population: 11,500,000*

18-30 31-45

Men: 1,458,000 1,415,000

Women: 1,430,000 813,000

TOTAL ARMED FORCES:

Active: 73,500+ (incl 10,000 National Guard).

Terms of service: voluntary; conscription, males aged 18-35, authorized.

ARMY: 45,000.

2 armd bdes.

4 mech bdes.

1 inf bde.

1 AB bde (2 para bns, 3 special forces coys).

1 Royal Guard regt (3 bns).

5 arty bns.

18 AA arty btys.

33 SAM btys:

16 with 128 *Improved HAWK* (each 3 msls);

17 with 68 *Shahine* (*Crotale*) fire units (each 6 msls) and AMX-30SA 30mm SP AA guns plus 73 fire units (each 6 msls) as static defence.

Equipment:

Tks: 550: 300 AMX-30, 150 M-60A1

(converting to A3), 100 M-60A3.

AFV: *recce*: 200 AML-60/-90. MICV: 350

AMX-10P. APC: 800 M-113 (incl

TOW/APC/cmd/spt variants), 30 EE-11

Urutu, 130 Panhard M-3.

Arty: 505: how: 105mm: some 24 Model 56

pack, 100 M-101/-102;

155mm: 72 FH-70, 34 M-198 towed,

224 M-109, 51 GCT SP.

MRL: 127mm: some *ASTROS II*.

Mor: 81mm: 200; 107mm: 360 M-30 4.2-in.

ATK: RCL: 75mm, 90mm, 106mm.

ATGW: BGM-71A *TOW* (incl 200 VCC-1 SP), M-47 *Dragon*, *HOT* (incl AMX-10P SP).

AD: guns: 40mm: M-42 SP; 90mm: 15 M-117.

SAM: FIM-92A *Stinger*, 500 FIM-43 *Redeye*, *Shahine*, MIM-23B *Improved Hawk*.

(On order: 60 AMX-10P; EE-11 *Urutu* APC; 8

M-198: some 400 JPz SK-105 SP ATK guns;

ASTROS II MRL; *TOW* ATGW.

NAVY: 3,500;

20 armed hel.

Bases: **Western Fleet:** Jiddah (HQ), Al Wajh, Yanbu. **Eastern Fleet:** Jabayl (HQ), Al Qatif, Ras Tanura, Al Dammam, Ras al Mishab.

2 Fleet HQ.

Frigates (FFG): 4 F-2000S with 8 *Otomat*-2 SSM, 1 *Crotale* SAM, 1 AS-365 hel.

Corvettes (FLG): 4 PCG-1 with 2 x 4 RGM-84A *Harpoon* SSM.

FAC(G): 9 PGG-1 with 2 x 2 *Harpoon* SSM.

FAC(T): 3 *Jaguar* (Lürssen).

Patrol craft, large: 1 (100 tons); **coastal:** 45.

MCMV: 4 MSC-322 coastal.

Amph: LST: 3; **LCU:** 4 US Type-1610;

LCM: 8 US Type-6; **LCVP:** 4.

Spt: 2 *Durance* log spt ships, 2 Royal Yachts.

Hel: 24 AS-365N *Dauphin* 2 (4 SAR, 20 with AS-15TT ASM).

MARINES: (1,500).

1 naval inf regt.

Eqpt: MICV: 140 BMR-600P.

(On order: 2 *Atlantic* II MR ac; 100 *Harpoon*, *Otomat* coast defence SSM; AS-15TT ASM.)

AIR FORCE: 15,000;

226 combat ac, no armed hel.

FGA: 3 sqns with 60 F-5E.

10 *Tornado* (being delivered).

Interceptor: 3 sqns (1 forming) with 45 F-15C.

Recce: 1 sqn with 10 RF-5E.

AEW: 1 sqn with 4 E-3A (more being delivered).

Tkr: 1 sqn with 2 KE-3A (more being delivered).

OCU: 2 with 20 F-5F, 15 F-5B, 17 F-15D.

Tpt: 3 sqns: 35 C-130E/H *Hercules*, 8 KC-130H, 2 VC-130H, 9 L-100-30HS (hospital ac), 2 CN-235, 35 C-212, 2 C-140 *Jetstar*.

Hel: 2 sqns: 15 AB-206B, 15 AB-205, 15 AB-212, 15 KV-107, 5 *Sea King*.

Trg: 39 BAC-167 *Strikemaster* Mk 80, 14 PC-9 (replacing Cessna 172), 6 *Tornado* IDS.

AAM: AIM-9J/L/P *Sidewinder*, AIM-7F *Sparrow*.

ASM: *Maverick*.

(On order: 56 *Tornado* (32 IDS FGA, 24 ADV ftrs); 1 Boeing 747, 10 CN-235, 5 C-212-200 tpts; 6 Boeing KE-3A (707-320C), 2 *Jetstream* 31, 30 *Hawk*, 16 PC-9 trg; 22 AB-212 hel; 1,000 AIM-7F *Sparrow*, 3,000 AIM-9L/P *Sidewinder* AAM; 400 *Maverick* ASM.)

AIR DEFENCE FORCES: Strength unknown:

A separate force, of equal standing with the Army and Air Force. Provides fixed and mobile point defence of key targets throughout the Kingdom.

Equipment:

AD: guns: 20mm: 100 M-163 *Vulcan*;

30mm: AMX-30SA; 35mm: 180.

SAM: 60 *Shahine*, 70 MIM-23B *Improved HAWK*.

PARA-MILITARY:

National Guard € 50,000 (10,000 active, € 15,000 reserve; € 25,000 tribal levies);

Bde HQ:

8 all-arms, 16 active, 24 irregular inf bns.

1 ceremonial cav sqn.

spt units.

Equipment:

APC: 240 V-150 *Commando*.

Arty: how: 105mm: 50 M-102. **mor:** 81mm.

ATK: RCL: 106mm. **ATGW:** *TOW*.

AD: guns: 20mm: 30 M-40 *Vulcan*.

(On order: 489 *Commando* incl V-300 APC,

V-150 SP 20mm AA guns. SP *TOW*,

90mm armed AFV.)

Foreign contract military personnel: some 10,000 (1 bde).

Ministry of Interior:

Counter-terrorist unit; hel.

Frontier Force and Coastguard 8,500; 8

BH-7, 16 SR-N6 hovercraft, 132 coastal.

300 inshore patrol craft.

General Civil Defence Administration units;

10 Kawasaki hel.

* Total indigenous Saudi population € 6,900,000 in 1987; expatriates € 3,500,000 in 1985.

UNITED ARAB EMIRATES (UAE)

GDP 1985: Dh 94.10 bn (\$25.63 bn)

1986: Dh 81.50 bn (\$22.20 bn)

growth 1985: -7.4% 1986: -21.0%

Inflation 1985: 3.0% 1986: 1.0%

Def bdgt 1986: Dh 6.90 bn (\$1.88 bn)

1987€: Dh 5.80 bn (\$1.58 bn)*

\$1 = Dh (1985/6/7): 3.671

Dh = dirham

Population: 1,300,000 (including foreigners)

18-30 31-45

Men: 202,000 353,000

Women: 84,000 84,000

TOTAL ARMED FORCES:†

Active: 43,000 (perhaps 30% foreign)

Terms of service: voluntary.

ARMY: 40,000.

3 regional commands: Western (Abu Dhabi),
Central (Dubai), Northern (Ras al Khaimah).

1 Royal Guard 'bde'.

1 armd bde.

1 mech inf bde.

2 inf bdes.

1 arty, 1 AD bde (each 3 bns).

Equipment:

Tks: 100 AMX-30, 36 OF-40 Mk 2 (*Lion*).

lt 80 *Scorpion*.

AFV: *recce*: 90 AML-90, VBC-40.

MICV: 30 AMX-10P.

APC: 30 AMX VCI, VCRTT, 300 Panhard
M-3, VAB, 66 EE-11 *Urutu* (some with
TOW ATGW).

Arty: guns: 105mm: 50 ROF lt;

155mm: 20 Mk F-3 SP.

how: 105mm: 18 M-56 pack.

Mor: 81mm, 20 120mm.

ATK: RCL: 84mm. ATGW: *Vigilant*, *TOW*.

AD: guns: 20mm: 60 M-3VDA SP; 30mm:

30 GCF-BM2. SAM: *Rapier*, *Crotale*.

RBS-70.

(Store: 70 *Saladin* armd, 60 *Ferret* scout cars;

12 *Saracen* APC.)

(On order: 42 *Improved HAWK* SAM, 343 msls.)

NAVY: 1,500.

Bases: Abu Dhabi: Dalma, Mina Zayed; Ajman;

Dubai: Mina Rashid, Mina Jabal 'Ali; Fujairah;

Ras al Khaimah: Mina Sakr; Sharjah: Mina

Khalid, Khor Fakkan; Taweela (under
construction).

FAC(G): 6 Lürssen TNC-45 with 2 x 2 *Exocet*
MM-40 SSM.

Patrol craft, large: 6 Vosper Thornycroft;

coastal: 3 Keith Nelson.

Spt: 2 Cheverton tenders.

AIR FORCE (incl Police Air Wing): 1,500;

65 combat ac, 7 armed hel.

Interceptor: 2 sqns:

24 *Mirage* 5AD, 3 5RAD, 2 5DAD.

FGA: 1 sqn with 3 *AlphaJet*.

COIN: 1 sqn with 8 MB-326KD/LD,

2 MB-339A.

Tpt: incl 5 C-130H *Hercules*, 1 L-100-30, 1

Boeing 707-320B, 1 G-222, 4 C-212, 1

HS-125, 5 BN-2 *Islander*, 9 DHC-5D

Buffalo, 1 Cessna 182.

Hel: incl 7 SA-316 *Alouette* III with AS-11,

8 AB-205, 6 AB-206, 3 AB-212, 3 Bell 214, 9

SA-330 *Puma*, 10 AS-332F *Super Puma*, 10

SA-342 *Gazelle*.

Trg: some 20 PC-7, 21 *Hawk* (15 Mk 63, 6 Mk
61), 6 SF-260TP, 2 MB-339A.

AAM: R-550 *Magic*.

ASM: AS-11/-12.

(On order: 36 *Mirage* 2000 ftrs (incl 3 *recce*, 3
trg), 3 *AlphaJet* FGA/trg, 1 G-222, some 24
Hawk (8 Mk 61, 16 Mk 63) trg ac; 30 A-129
Mangusta, *Lynx* hel; *Skyguard* AD system
with twin 35mm guns.)

PARA-MILITARY: Coastguard (Ministry of the
Interior): 57 coastal patrol boats/craft.

* Federal defence outlays have been substantially
reduced, but procurement and project costs are not
affected, since individual emirates finance these
separately.

† The Union Defence Force and the armed forces of
the United Arab Emirates (Abu Dhabi, Dubai, Ras Al
Khaimah and Sharjah) were formally merged in 1976.
Abu Dhabi and Dubai still maintain a degree of
independence. Non-nationals incl some 500
Moroccans.

THE SAUDI EDUCATIONAL SYSTEM

Higher Education Growth in Saudi Arabia

Year	Total	% Inc.	# Women	# Men	# Univ.	Girls Coll.	Budget (Millions US\$)
1960-61	1309	-	-	1309	1	-	-
1964-65	3083	136	66	3017	2	-	-
1969-70	6942	125	434	6508	3	-	20.6
1974-75	19093	175	2922	16171	5	2	218.9
1979-80	47990	151	12665	35325	6	7	1517.5
1980-81	54509	14	16079	38430	6	7	2171.5
1981-82	64290	18	19922	44368	7	10	2560.3
1982-83	75118	17	24480	50638	7	11	2838.6
1983-84	80469	7	28472	51997	7	11	2549.3
1984-85	93040	16	34624	58416	7	11	3035.3
1985-86	102709	10	40507	62202	7	11	1954.8

Saudi Representation in the Educational System

	University Students	University Faculty
Male - Saudi	46,433 (79.0%)	2747 (41.9%)
Male - Non-Saudi	<u>11,983 (21.0%)</u>	<u>3811 (58.1%)</u>
Total	58,416	6558
Female - Saudi	30,099 (87.0%)	808 (40.0%)
Female - Non-Saudi	<u>4,525 (13.0%)</u>	<u>1193 (60.0%)</u>
Total	34,624	2001
Total - Saudi	76,532 (79.5%)	3555 (42.0%)
Total - Non-Saudi	16,508 (20.5%)	5004 (58.0%)

Note: During the 1983-84 school year, 35% of elementary school teachers working in the Saudi educational system were non-Saudi. For other educational levels, the figures were as follows: intermediate - 63%, secondary school - 73%, technical-vocational school - 61%, and teacher training - 76%.

Source: Saudi Arabia: A Study of the Educational System of Saudi Arabia and a Guide to Academic Placement of Students in Educational Institutions in the United States

PRESS RELEASES AND OFFICIAL STATEMENTS

On the Recent Purchase of Missiles from China:

13 April 1988

This relationship [between Saudi Arabia and the United States] is deeply rooted and based on fixed rules of mutual respect and complete understanding. The best proof of the foregoing is the awareness of Saudi officials of the position of President Ronald Reagan when he could not pass the arms deal required by the Kingdom due to the opposition of some members of Congress. The source went on to say that the Kingdom did not embarrass the President by pressing for its arms requirements. Instead, it immediately addressed other countries to meet the needs of defending its security and Holy Shrines, hoping that the Congress would reconsider its rejection and be persuaded of the fairness of Saudi Arabia's needs, in view of its legitimate right to defend itself against repeated security threats.

On the Iran-Iraq War:

9 August 1988

His Royal Highness Prince Sa'ud al-Faysal, the Saudi Foreign Minister met with US Undersecretary of State John Whitehead in Washington. In a public statement he said: "We came to express our hope and desire for the establishment of a lasting peace in the Arab Gulf region-not just an end to hostilities between Iraq and Iran." With regard to direct negotiations between the two countries the Foreign Minister stated: "We should congratulate Iraq on this occasion and we should congratulate Iran's people on this result."

On Saudi Involvement in the US-Iran Arms Deal:

15 December 1986

An information source said: "The Kingdom has nothing new to add to what it has already declared in various statements by officials who categorically denied the media reports insinuating that the Kingdom had any connection at any time with the said deal."

The Kingdom, after giving such clarifications, needs not defend itself against false allegations based on weak speculation, particularly in that all the principal relevant parties to this deal have repeatedly and officially declared that the Kingdom has had no connection whatsoever with this suspicious deal in any of its aspects.

On the Arab-Israeli Conflict:

11 April 1986

[It is] the firm conviction of the Kingdom of Saudi Arabia that there would be no resolution to the Middle East conflict or the conclusion of any negotiation to that effect unless it guaranteed the legitimate rights of the Palestinian people...Israeli claims in the occupied Arab lands are without foundation and...any attempt to exploit the current situation in the area by imposing a solution that does not take into account the rights of the Palestinian people is doomed to failure.

6 November 1983

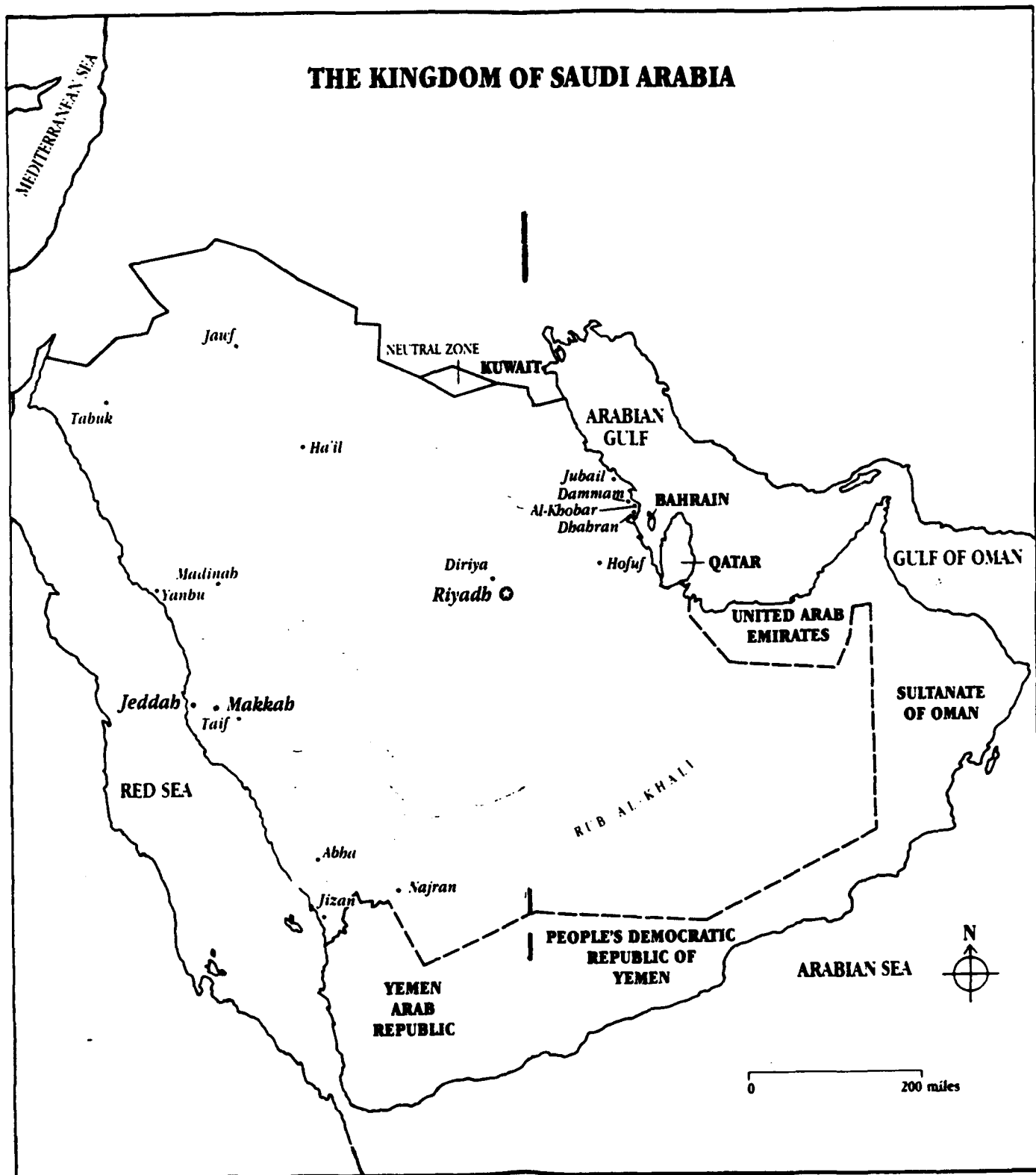
[Saudi Arabia's ambassador to the United States, Prince Bandar bin Sultan] "All of the global nuclear alerts of the last decade and a half...have occurred over sudden developments in the Arab-Israeli conflict...Any delusion about a US-Israeli strategic relationship ever possibly reaching outward, even in some claimed emergency, could have fateful consequences throughout not only the Middle East but also the Islamic world far beyond...The crucial challenge of a just and lasting Middle East peace can be worked out with fair and forthright steps by the United States."

Selected Statements from a 1985 Joint US-Saudi Arabian
Communique:

13 February 1985

The King expressed his belief that the Arab consensus defined in the communique issued at Fez in September 1982 provided a just basis for negotiations leading to a comprehensive peace...

In their discussions, the President and the King stressed that a stable peace must provide security for all states in the area and for the exercise of the legitimate rights of the Palestinian people.



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